2018

volatı.

This annual report has been prepared in Swedish and translated into English.
In the event of any discrepancies between the Swedish original and the translation,
the Swedish shall have precedence.

CONTENTS

ANNUAL REPORT

Volati 2018

- Net sales increased by 40 percent to SEK 6,084 (4,356) million.
- Operating profit (EBITA) increased by 15 percent to SEK 433 (377) million.
- Operating cash flow amounted to SEK 475 (513) million.
- S:t Eriks, Sweden's leading manufacturer of concrete and natural stone products, was acquired in August.
- The Board of Directors proposes a dividend of SEK 1.00 per ordinary share and a dividend for preference shares of SEK 40.00 per share.

15
Business units

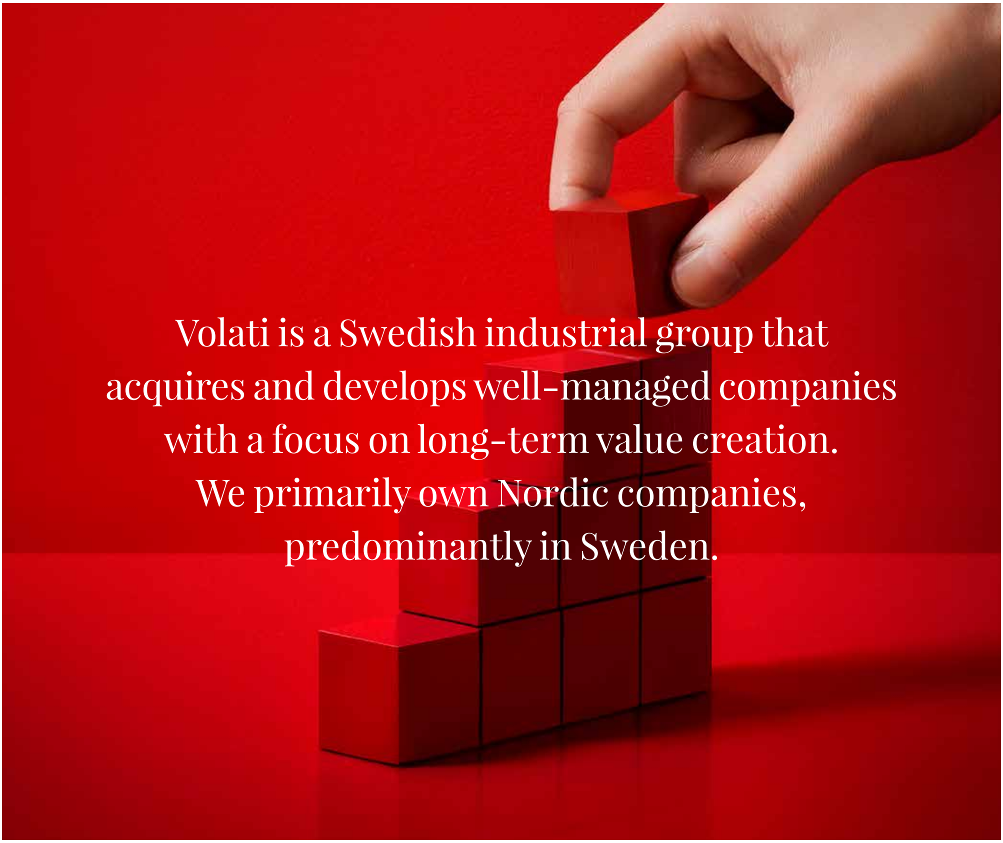
2,200
Employees

16
Countries

Key figures

	2018	2017	2016	2015	2014
Net sales, SEK million	6,084	4,356	3,206	2,188	1,656
EBITDA, SEK million	552	459	385	275	249
EBITA, SEK million	433	377	318	227	215
Organic EBITA growth, %	0	–18	28	–20	15
EBIT, SEK million	366	345	301	214	155
Adjusted EBITDA	949	619	–264	756	762
Net debt, SEK million	573	511	421	333	273
Net debt/adjusted EBITDA, x	1.7	1.2	–0.6	2.3	2.8
Cash conversion, %	86	112	89	94	62
Earnings per ordinary share, SEK	2.58	2.19	2.07	1.37	0.35
Equity per ordinary share, SEK	21.63	19.11	17.78	5.51	4.94
Return on adjusted equity, %	13	12	25	43	28
Ordinary shares outstanding	80,406,571	80,406,571	80,406,571	40,400,000	40,400,000
Preference shares outstanding	1,603,774	1,603,774	1,603,774	1,603,774	–
Average number of employees	2,157	1,750	1,122	908	860
Dividend per ordinary share, SEK	1.00[1]	0.50	0.50	–	–
Dividend per preference share, SEK	40.00	40.00	40.00	20.00	–

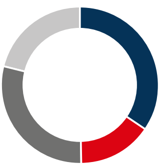
[1] According to the Board's proposal



FOUR BUSINESS AREAS

Trading, Consumer, Akademibokhandeln and Industry

Net sales



- Trading, SEK 2,107 million
- Consumer, SEK 923 million
- Akademibokhandeln, SEK 1,784 million
- Industry, SEK 1,271 million

EBITA

- Trading, SEK 158 million
- Consumer, SEK 104 million
- Akademibokhandeln, SEK 72 million
- Industry, SEK 144 million

As the distribution by business area is not calculated proforma for the year's acquisitions, acquired companies are only included in the above calculation from the acquisition closing date. The business areas' shares are calculated excluding central costs.

An even stronger Volati

In 2018, we continued our efforts to build an even stronger Volati. Both sales and earnings showed a strong increase. We have also successfully developed our business area organisation and corporate governance. Volati enters 2019 in very good shape – both organisationally and financially.

AS AN OWNER, one of our most important tasks is to create the best development environment for our companies and this is also something we have excelled at historically. We are devoting substantial resources to improving this even more, as we continue growing through acquisitions. An important part of the work is the strengthened business area organisation that was introduced at the end of the year and that we developed in 2018. I am very pleased with the outcome, as it is of key importance for us to continue growing within the framework of our business model.

Organisation for continued growth

The business area organisation is headed by competent business area managers who assume overall responsibility for developing and monitoring operations within their business areas. This means that we can continue our success in setting the right strategic direction together with the board and company management, ensuring that we have the right expertise in the management groups and continuously monitoring the progress towards agreed goals. The business area managers also have responsibility for driving Volati's acquisition agenda together with Group management. This has meant that we both generated and evaluated more acquisition opportunities than before during the year.

In other words, we are well-equipped to successfully complete acquisitions and receive and integrate acquired operations, and we also have the strength to address the challenges that arise in the business units. Our efficient management of the challenges we had in the Industry business area in Q4 2017 was behind the business area's strong results in 2018. I am also very pleased that the measures taken to streamline operations and reduce costs in Akademibokhandeln in the second half of the year have produced clear results. Akademibokhandeln now enters 2019 with a strong customer offering and lower fixed costs. I believe that this shows the strength of our organisation, as we work together to create long-term value.

Developing skills supply

Decentralised business unit governance is a cornerstone of our business model. This in turn requires that we have the right expertise in the business units' boards and management groups. For this reason, we devote a great deal of energy and resources to skills supply throughout the Group. In 2018, these efforts were focused on ensuring access to board expertise in our business units. We have introduced Styrelseakademin, an initiative in which we work with an international recruitment company to establish a pool of potential candidates for board assignments. This has enabled us to strengthen many of the subsidiary boards during the year. We also gather all board members together a few times a year to exchange knowledge and ideas about board work and listen to external speakers. This has been a great success, which in a short period has further raised the level of board work throughout the Group.

I am also proud of our program for future managers – Volati Management Program. All of the participants who have completed the program are currently doing a fantastic job at management level in one or other of our business units. Our ability to supply the business units with talented leaders will, I believe, be an important competitive advantage for us in a few years' time.

Sales and earnings growth

Sales and earnings for 2018 showed a marked increase as a result of both acquisitions and efficiency improvements. Net sales increased by 40 percent to SEK 6,084 million and operating profit (EBITA) rose by 15 percent to SEK 433 million. Earnings per ordinary share increased by 18 percent to SEK 2.58 per share. During the year, we have been working to reduce the cost level throughout the Group. One reason is that we want to be well prepared for any weaker economic trend in the future. At the same time, it is important to note that we have not seen any change in market conditions and demand during the year.

Turning to our business areas, I am pleased with how operations have developed during the year. We faced challenges in the form of a cold winter and a record hot summer, which affected most of our business areas. The weakened krona affected the Trading business area, which imports a large proportion of its products. The changed vehicle inspection rules introduced during the year affected the vehicle inspection sector and also our operations within the Consumer business area. As a result of hard work in the business units, we were able to compensate for many of the challenges and delivered an organic EBITA that was unchanged from the previous year.

Strong financial position and increased dividend

Volati's financial position at the end of 2018 was very good. The basis of our entire business model is that we generate strong cash flows every year. Operating cash flow during 2018 was SEK 475 million. We use the cash flow to acquire new companies, invest in our existing business units and distribute dividends to our shareholders. The strong cash flow also contributes to reducing debt. The net debt to EBITDA ratio is 1.7x, which is significantly below our long-term financial target of a maximum of 3.0x. In other words, we have considerable scope for acquisitions. The strong cash flow and low debt also mean that the Board is able to propose an increase in the dividend per ordinary share to SEK 1.00 (0.50) for 2018.

Creating long-term value growth

As I mentioned earlier, we have a high level of acquisition activity in the Group even though we only completed one transaction during 2018, namely S:t Eriks. A large proportion of S:t Eriks' sales comes from infrastructure projects and our hypothesis is that this is an area with relatively good market conditions in the period ahead. We also see that, with our industrial know-how, we can contribute to streamlining the operations together with the company's management. We are satisfied with the integration process for S:t Eriks and have a new management group in place.

We note that there are still plenty of acquisition opportunities in the market. We have a good inflow of potential acquisition candidates from professional players and also generate many acquisition opportunities internally in our business area organisation. However, we find that the price expectations of sellers and buyers increasingly differ. This means that the number of closed deals is lower and that it takes longer to close the deals.

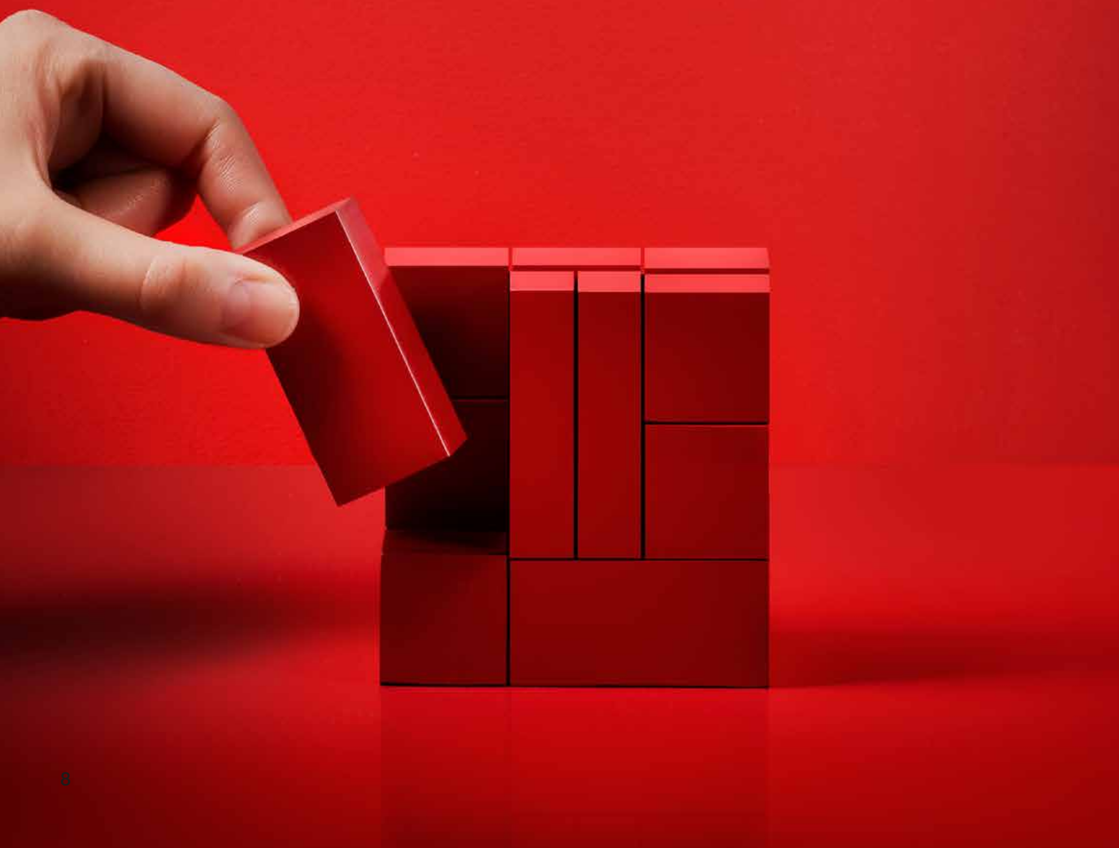
Our ambition is to remain active in the acquisition market in 2019. We have both the financial and organisational capacity to act quickly when we find the right acquisition candidate. At the same time, we will drive efficiency and profitability in our existing operations in line with our goal of creating long-term value growth.

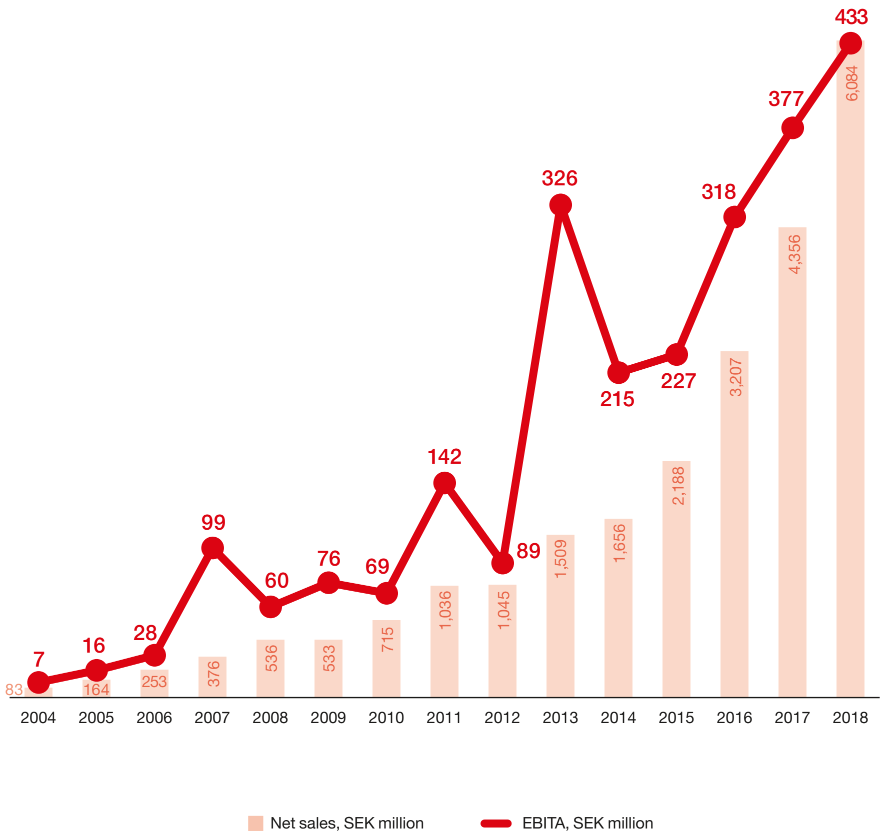
"Volati's financial position at the end of 2018 was very good."

MÅRTEN ANDERSSON, PRESIDENT AND CEO
Stockholm, March 2019

Long-term value growth

Volati's overall goal is to generate long-term value growth.





The graph shows how Volati's net sales and earnings have developed since the Company was founded.

Our vision

Volati's vision is to be regarded as Sweden's best owner of medium-sized companies.

Our business concept

Volati creates value by acquiring companies with proven business models, leading market positions and strong cash flows at reasonable valuations, and develops them with an emphasis on long-term value creation.

A value-creating business model

Volati's success has been created with a proven business model that is the same today as when the Company was founded in 2003.

A strong operating cash flow in the business units …

SEK 475 m

Operating cash flow 2018

… is used for further acquisitions of companies with strong cash flows …

36%

Average acquired EBITA growth, 2013–2018

… at reasonable valuations ...

5.9×

Average acquisition multiple (EV/EBITDA) since 2004

… and with a focus on long-term value creation.

7%

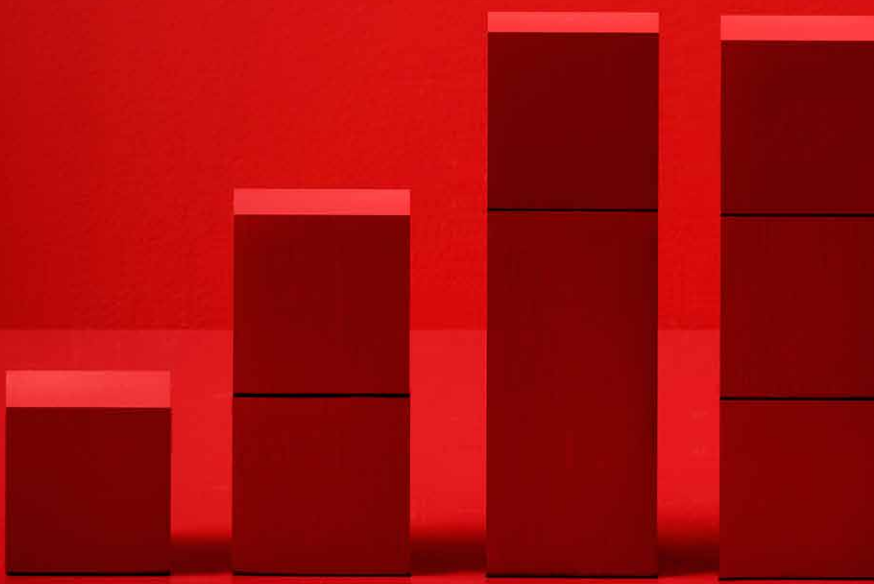
Average organic EBITA growth, 2013–2018

Volati acquires well-managed companies with strong cash flows at reasonable valuations. These cash flows are reinvested in the business and used for further acquisitions.

By actively engaging in the long-term development of companies, Volati also creates fertile ground for organic growth.

Financial targets

Volati's financial targets are designed to support successful operations in accordance with our business model, and should be assessed on an overall basis.



Earnings growth

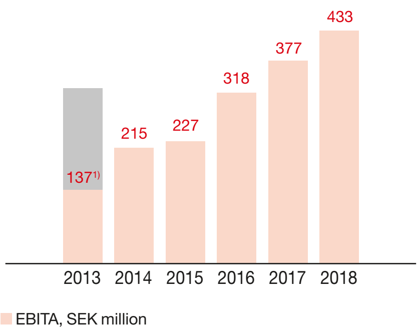
Volati's target is an adjusted EBITA of SEK 700 million by the end of 2019. The target for average annual organic EBITA growth is 5 percent.

Background to the target

Historically, Volati has achieved average annual EBITA growth, including acquisitions, of about 36 percent. The adjusted EBITA target of SEK 700 million reflects our ambition to maintain the same growth rate going forward and corresponds to a doubling of our EBITA since the IPO in 2016. An important aspect of our business model is to create growth in earnings by continuously developing the Group's business units, which is reflected in the target for organic EBITA growth.

Comments on the outcome 2018

EBITA growth in 2018 amounted to 15 percent, mainly attributable to completed acquisitions. Organic EBITA was unchanged compared with 2017. Organic EBITA growth has averaged 7 percent between 2013–2018.



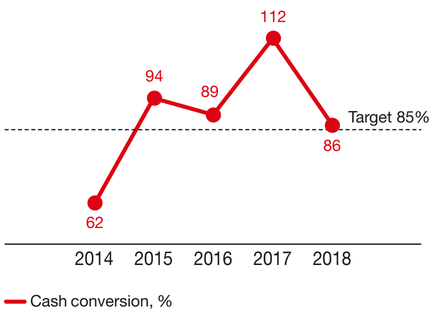
[1] EBITA of SEK 326m contains a capital gain of SEK 189 million regarding the divestment of the shares in TeamOlmed.

Cash conversion

Volati's target is to achieve an annual cash conversion of more than 85 percent. This means that 85 percent of our EBITDA must be cash flow after investments and changes in working capital.

Background to the target
Volati's business model is based on reinvesting the cash flow generated in the Group's companies in new acquisitions and in developing our existing operations. In other words, it is of key importance for us to generate a strong cash flow from our operations, as the target shows.

Comments on the outcome 2018
The cash conversion was 86 percent at the end of 2018. The change compared with the previous year is due to the fact that Akademibokhandeln was consolidated throughout 2018 and that S:t Eriks was consolidated from September 2018. Average cash conversion was 89 percent for 2014–2018.

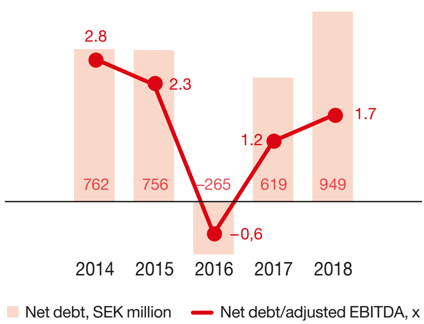


Capital structure

Volati's target is a net debt/adjusted EBITDA ratio (LTM) of less than 3.0x.

Background to the target
In addition to using cash flow from its own activities, Volati is also able to raise capital for acquisitions. The target is based on a balanced level of borrowing to avoid excessive financial risk while ensuring an attractive return on equity.

Comments on the outcome 2018
Volati had net debt of SEK 949 million at the end of 2018. The net debt/adjusted EBITDA ratio was 1.7x. The average net debt/adjusted EBITDA ratio was 1.5x for the period 2014–2018.

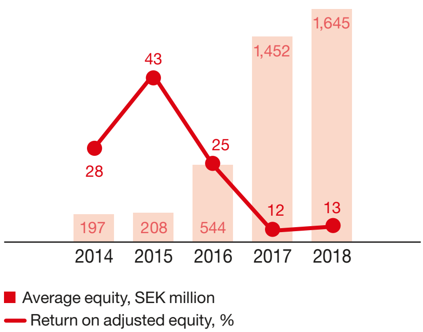


Return on adjusted equity

Volati's target is a return on adjusted equity of more than 20 percent.

Background to the target
Volati aims to generate good returns on shareholders' invested capital, as the target shows. The target is closely related to net debt, as a high level of debt gives a higher return on equity, while a low level gives a lower return. The target is defined on the basis of a balanced capital structure where net debt is between 2.0x and 2.5x adjusted EBITDA.

Comments on the outcome 2018
In 2018, the return on adjusted equity was 13 percent, which was below the target return of 20 percent. The deviation from the target depends to a large extent on Volati's low net debt. The average return was 24 percent for the period 2014–2018.



Dividend

For ordinary shares, Volati's target is to distribute 10–30 percent of the Group's net profit attributable to owners of the Parent Company. The dividend on preference shares is paid at an annual amount of SEK 40.00 per share.

Background to the target
The target shows the annual dividend rate that shareholders can expect from investing in Volati. Our business model is based on re-investing profits (cash flow) in the acquisition and development of companies. This is prioritised ahead of distributing a large proportion of the profit for the year to shareholders.

Comments on the outcome 2018
For 2018, the proposed dividend amounts to SEK 1.00 (0.50) per ordinary share, corresponding to 30 percent of the Group's net earnings attributable to the owners of the Parent Company. The dividend on preference shares amounts to SEK 40.00 per preference share.

SEK 1.00

2018 Dividend
Proposed by the Board of Directors

Comments from the Chairman

At the 2018 Annual General Meeting, I took over as chairman from Karl Perlhagen who had been chairman since we founded Volati together in 2003. During Kalle's time as chairman, Volati has evolved from a concept to a listed company with revenue of SEK 6 billion. Kalle's importance to Volati cannot be overestimated. Over the years, Volati has developed as a company, particularly in terms of our ability to add value to our business units. However, the basic concept is the same now as then: to acquire good companies at reasonable valuations and develop them with a focus on long-term value creation.

By GOOD COMPANIES, we mean that they should be well managed, with stable profitability and strong cash flows. They are rarely growth rockets but have good opportunities to grow with us in the long term. Making acquisitions at reasonable values is a natural course for us. We are convinced that the price you pay is the single most important indicator of how good the return will be in the long run.

Long-term value growth

Our preference share has increased in value during the year, while the total return for our ordinary shareholders has been weak. My Board colleagues and I are now putting a great deal of effort into developing Volati further, with a focus on our overall objective of generating long-term value growth.

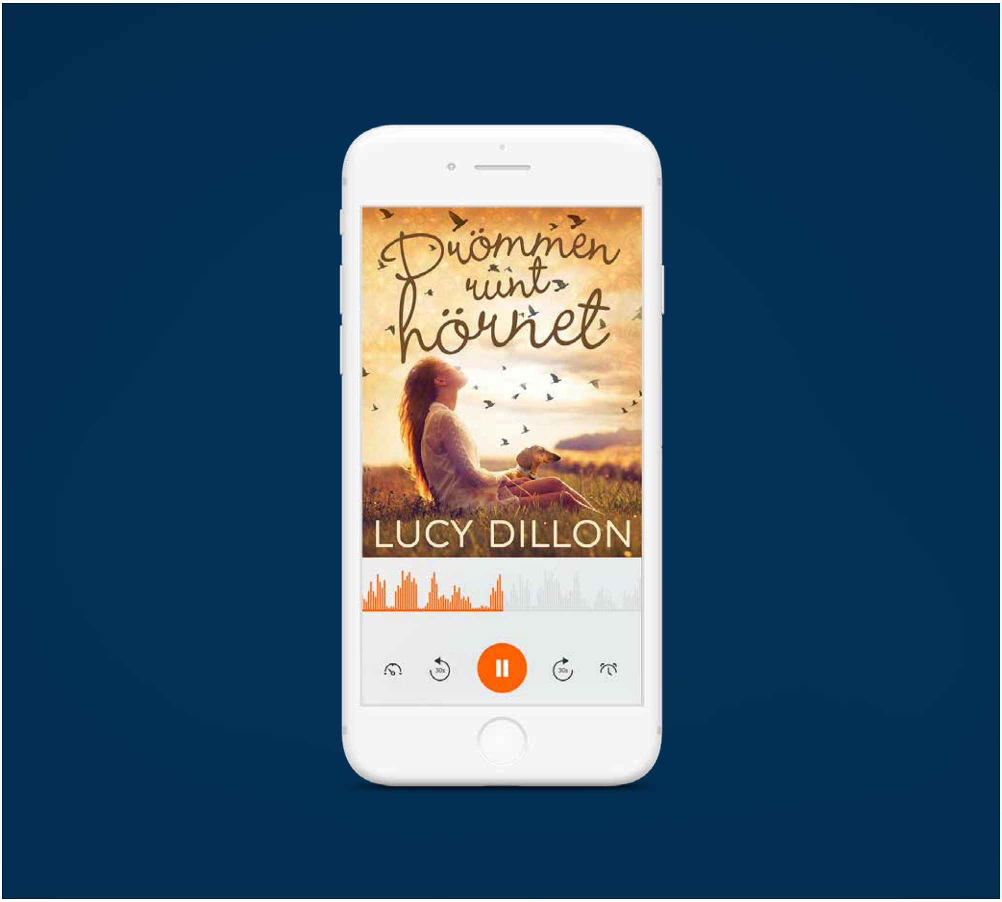
More right than wrong

We have a cautious approach to risk. We rather turn down a good deal than risk making a bad one. However, we are not slow to act when we perceive that the market's pricing of risks in a company differs from ours. We have several examples of this and have sometimes been met by raised eyebrows from outside observers.

Our first acquisition, Tornum, had undergone a generational shift and needed a new management group. This presented a risk but contributed to a valuation that was extremely reasonable in terms of the quality of the company. Since the acquisition, earnings have tripled.

When we acquired Besikta from the Swedish state in connection with deregulation of the motor vehicle inspection industry, this was done without management, brand and IT systems. We were convinced that we could manage the risks that others were shrinking back from. This contributed to a clearly discounted valuation. Today, Besikta is one of the leading inspection companies in Sweden with a market share of approximately 25 percent.

The most recent example is Akademibokhandeln, which we considered attractively valued as everyone had a negative view of the retail sector. We understand that retailing is challenging, but in our analysis of Akademibokhandeln we also saw strengths and opportunities that helped reduce the risk. The brand is strong and the book industry is growing. Total sales of books increased by 5 percent in 2018. The process of creating a really strong omni-channel offering of stores, e-commerce and a streaming service for audio books has come a long way. With pure online companies finding it dearer to advertise online and facing rising costs for obtaining new customers, we can say that we have 107 stores and a customer club with 2 million members as marketing channels. Also, what is happening in other areas of the retail sector has already occurred



Bokus Play was launched in 2018 and is Bokus' subscription service for audio books. The subscriptions are flexible to suit many and include discounts at both Akademibokhandeln and Bokus.

in book retailing. Bokus, which is part of Akademibokhandeln, was one of the online pioneers when founded in 1997 and today half of all book sales are online.

In the first two cases, time has proved us right. It remains to be seen if we also got it right in the last example. The point I am making above is that an investor needs to achieve two things to get a return that is higher than index. Firstly, to take a position that goes against the general market perception and secondly, to be right. Of course, we have not always been right, but we have been more right than wrong so far.

Adding value to the companies

As owner of companies, it is important to have a plan and a structure for adding value to the companies. We are constantly strengthening our own efforts to give the

> "Regardless of how the economy develops, we have the financial capacity to continue creating value through acquisitions when the right opportunities arise."

companies the best possible scope for development. We currently have a clear governance model with business area managers, and we contribute structural capital and – particularly important – skills supply. In good times, it is likely that the companies can be developed relatively well without this. However, in a tougher economic situation, it is all the more important to have the structures in place to control and support the companies.

Impossible to predict when the economy will turn

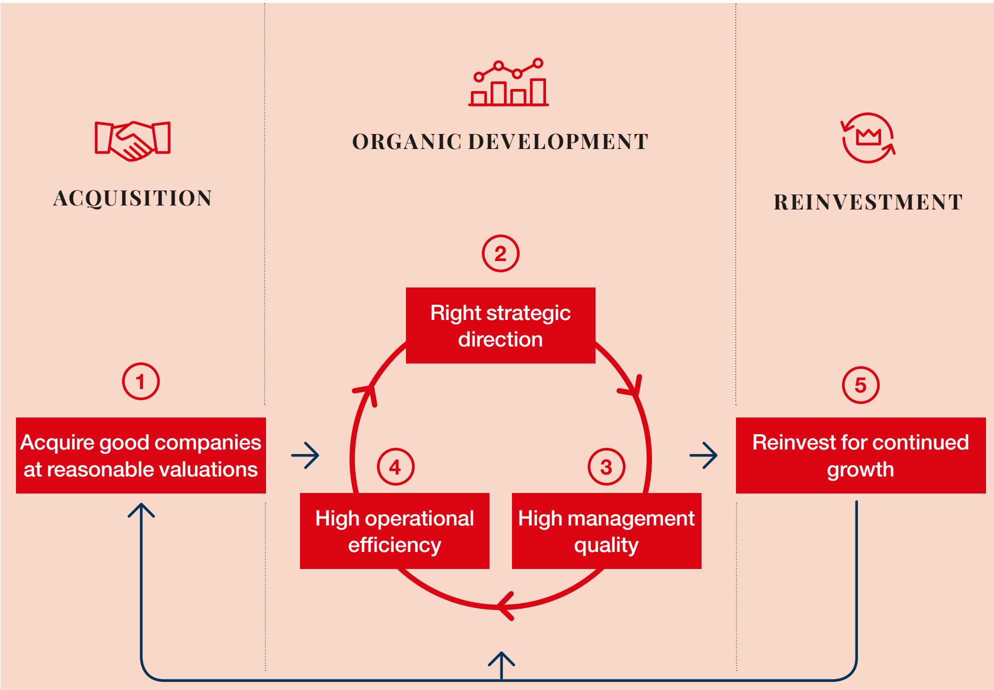
Much as we would like to, it is virtually impossible to predict turning points in the economy. Also, once it has turned, the momentum tends to be underestimated – both in terms of ups and downs. That being said, it is still important for an acquiring company to consider where we are in the business cycle. Our hypothesis is that we are now at the end of a business cycle. The companies have had high profits for a period. The valuations in connection with acquisitions are high. This does not mean it is impossible to conduct good transactions. We have succeeded in acquiring good companies at reasonable valuations in all market environments. At the same time, we know that the best investment opportunities arise at the bottom of a business cycle. In some cases it may therefore be better to turn down a reasonable investment today to make a really good investment tomorrow. For this reason, we have also walked away from some investments during the last year.

This means that we have a strong financial position with a net debt of 1.7 times EBITDA, significantly below 3.0x which is the ceiling according to our financial targets. In other words, regardless of how the economy develops, we have the financial capacity to continue creating value through acquisitions when the right opportunities arise.
I hope you will join us as we journey forward!

PATRIK WAHLÉN
Chairman of the Board

Volati creates long-term value

Volati grows and creates value by acquiring and developing companies. We have a well-developed work process that contributes to long-term and sustainable company development – both for Volati and our business units.



Volati's work process

ACQUISITION

1

Acquire good companies at reasonable valuations

The basis of Volati's model for creating long-term value is to acquire good companies at reasonable valuations. The companies must have strong cash flows, a proven business model and be a market leader or have a strong market position in their niche. They must also have the potential for development and growth creation over time.

A disciplined process

Volati has a disciplined acquisition process and clear criteria on which acquisitions we make – a prerequisite for success in our objective to acquire companies at reasonable valuations. A cornerstone of this process is that we rather turn down a good deal than risk making a bad one.

Volati's business concept is based on using cash flows from our business units to finance acquisitions of new companies, thereby creating long-term value development for Volati. We therefore seek stable profitability and value potential acquisitions based on their average profitability. It also means that we are not prepared to pay a high premium for possible future growth.

Since the start, we have acquired companies at a weighted average EV/EBITDA value of 5.9x. In other words, we have succeeded in our ambition to acquire good companies at reasonable valuations regardless of market conditions and company size.

An attractive offering

In addition to a disciplined process, it is of key importance to have a strong offering to the companies that seek new owners. Volati wants to build trust as a good owner and a serious and reliable counterparty in acquisition transactions.

We have a long-term ownership perspective: Volati acquires companies for ownership far into the future. Our decentralised model preserves both the companies' independence and local entrepreneurship. This appeals to many entrepreneurs who care about their employees and want to see their company remain and develop in the locality. It means that Volati can be a prioritised investor, where price is not the only factor in the acquisition process.

With 50 years of experience and more than 5,000 products, Sörbö Industribeslag is an obvious business partner to the Norwegian door and window industry.

Besikta Bilprovning is one of Sweden's leading car inspection companies. With additional security checks included in several inspection packages, they provide Swedish car owners with an even safer inspection.

We are a reliable counterparty: We only engage in an acquisition process when we assess that it is highly likely that a transaction can be completed. When we make an offer, we will normally have Board approval and financing already in place. We will also have formed an impression of whether there is consensus on the price expectations for the company. This creates security for both the owner of the company and any advisers in the process.

We handle processes with short lead times: Volati has a rapid process for both due diligence and decision-making, which can be crucial in competitive acquisition processes. We have broad expertise and experience internally, and undertake a large proportion of due diligence ourselves. This also enables us to build a relationship with the company during the acquisition process. A committed board of directors contributes to short decision-making paths.

We handle complex transactions: Volati's long-standing acquisition experience enables us to handle complex transactions. We endeavour to utilise the difference between perceived risk and actual risk in a transaction, which clearly affects the ability to conduct acquisitions at reasonable valuations. One example is Besikta Bilprovning, which was acquired from the Swedish state in 2013 as part of the re-regulation of the Swedish motor vehicle inspection industry, without an existing management, trademark and IT system. Volati was able to benefit from its extensive network and by the acquisition date had recruited a qualified CEO and found trademark and IT system solutions.

Two types of acquisition

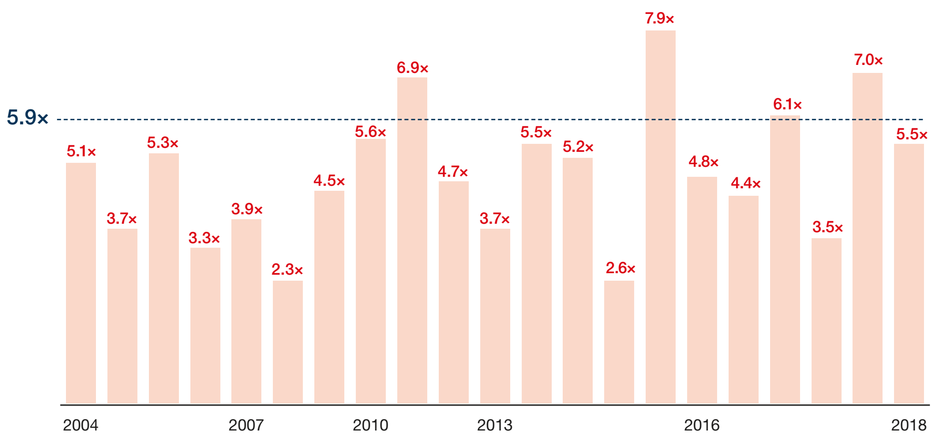
Volati undertakes two different types of acquisition. The first of these is platform acquisitions, which are large acquisitions of companies that either form a new business unit in one of our existing business areas or form a separate business area within Volati. Acquisitions of companies that may form a new business area are managed centrally at Volati, while acquisitions of new business units are controlled by the relevant business area manager with the support of central resources. Platform acquisitions are conducted in the Nordic region, with an emphasis on Sweden, and the acquiree should have an EBITDA of at least SEK 20 million.

The second type consists of add-on acquisitions to existing business units. These are designed to accelerate the business units' work on achieving their strategic goals, such as by broadening the product range or reaching new geographical markets. The acquisition processes are controlled by the business area manager with the support of the relevant business unit's board and management. Add-on acquisitions are not based on geography or size. Instead, the decisive factor is whether they are strategically interesting and contribute to value creation.

Strong brand in the acquisition market

Volati is not confined to acquiring companies in a specific sector, which gives us broad acquisition scope. We have good relationships with more than 40 consultancies in Sweden, Norway and Finland. They contact us on an ongoing basis with potential acquisition candidates. Volati is passionate about entrepreneurship and business enterprise. Over a long period, we have built up a strong brand for entrepreneurs in the Nordic region by stating what we stand for and how we create value as a good owner of small to medium-sized companies. This means that we also receive enquiries from entrepreneurs themselves in search of new owners for their company. We also engage in regular proactive dialogue with companies we have identified as potential acquisition candidates for Volati. Many of the acquisition ideas are also generated in our business units, which see add-on acquisitions as a means to create value in their own operations and accelerate their goal achievement efforts.

Over time, Volati has conducted acquisitions at reasonable valuations



ORGANIC DEVELOPMENT

2

Right strategic direction

Decentralised leadership is a cornerstone of Volati's model for control and development of the business units. It requires the board and CEO of each business unit to take ownership of their operations. In this way, we ensure that local entrepreneurship is retained and that important decisions about operations are made in proximity to customers and the market.

The decentralised governance model requires Volati and each business unit to share a common vision on the future development of the operations. This is partly to realise the investment hypotheses on which the acquisition was based and partly to ensure that the business achieves profitable growth and contributes to Volati's total value creation. A key aspect of this work involves drawing up the vision, business concept, goals and strategy.

Operating through the business area managers

Volati operates through the business area managers who were given increased mandates during 2018 and are currently responsible for value development in their business units. Our business area managers have relevant experience of the sectors and markets in which their business units operate, which is a prerequisite for successfully contributing to their development. To assist them, they have competent boards in the business units. With the newly established Styrelseakademien, Volati has strengthened access to external expertise for the business units' boards. The aim is to have a well-composed board with relevant specialist expertise to develop the business. Factors such as priority development areas and each business unit's challenges are taken into account.

At Akademibokhandeln, customers can pick and choose from a wide range of books as well as paper and office supplies.

me & i prioritizes sustainable fashion - clothes that are both comfortable and feel good to wear from an ethical perspective.

Corroventa combines innovation power with 30 years of experience in water damage restoration to develop products with high quality and long durability.

3

High management quality

Volati's decentralised governance model places significant demands on the business units' board and management. It is their expertise, capacity and commitment that makes it possible to develop the businesses in line with goals, thereby creating economic value.

Volati has a clear strategy for HR work, which is one of our main priority areas. We make extensive investments to ensure that the business units always have access to the right expertise at both board and management level and in key positions, and that these persons are continuously developed and supported to reach their full potential. Through these efforts, we want to ensure that the business units have industry-leading expertise at all levels, which brings a sustainable competitive advantage.

Skills supply initiatives

Volati runs four main initiatives to ensure skills supply in the Group – Volati Styrelse-akademi, Volati Management Program, Volati Academy and Volati Management Meeting.

Volati Styrelseakademi

Styrelseakademien was established in 2018 and consists of two parts. The first part concerns ensuring we have continuous access to board expertise when needs arise in our business units. We have drawn up a list of candidates with the expertise we require. The list is updated twice a year.

The second part is about strengthening board work, creating a Group-wide view of board work and utilising the gathered experience and best practice. This takes place at meetings where all board members in the Volati Group gather during a one-day conference. An external speaker, usually one of Sweden's most experienced and qualified board members, also participates on each occasion.

Volati Management Program

Under the Volati Management Program, we recruit individuals with university or college degrees and a few years' relevant professional experience. This is a 15-month programme in which participants are pre-assigned to a management position in one of the Group's business units. The training programme encompasses areas such as strategy, leadership and Volati's values. During the programme, the managers rotate between Volati and at least two business units. The programme attracts many qualified candidates and gives the Group's business units access to individuals they might otherwise have found it difficult to attract.

Volati Academy

Volati Academy is an 12-month leadership programme aimed at employees at management team level in the business units, with participants attending both internal and external lectures. The aims of the programme are twofold: to strengthen participants' expertise in areas such as financial analysis, strategy and leadership, and to establish a common view for these areas in all of Volati's business units.

Volati Management Meeting

Volati Management Meeting is held every two years as an opportunity for the business units' management and key personnel to meet at a three-day conference. The conference includes workshops and lectures within selected areas. It also serves as a platform to address important shared issues within the Group and to create networks promoting collaboration between individuals from the Group's different companies.

With passion for detail. Habo's care for quality, craftsmanship and smart solutions drives the company forward to improve people's everyday lives.

Q&A

Oskar Persson, CFO of Tornum and former participant in Volati Management Program

What made you apply to Volati Management Program? I worked as a management consultant and got a call from a recruiter. The programme sounded very attractive and thorough, so I didn't hesitate to apply. It meant I would have the opportunity to be part of a large group and work closely with the management of several of Volati's business units. From the outset, it was made clear that the programme would prepare me for a management position quite soon after the training.

How was the programme organised? The programme was divided into three project placements over 15 months. The first one was at Volati's head office. I then went to Tornum, which was also the company where it was intended that I would work after the programme. I was given the responsibility to start building up the company's aftermarket organisation and was involved in distribution development. I also participated in an add-on acquisition to Tornum. I was struck by the fact that you have a high level of individual responsibility right from day one. At the same time, you have constant support from the business unit's CEO and management and from Volati's management.

My third project placement was at Corroventa, where I worked on areas such as implementing a new business system. During the programme, you also attend courses together with the other VMP participants.

How has the programme contributed to your development? It has been extremely rewarding, both on a professional and personal level. I have been working closely with the business unit CEOs on various tasks, some at a high strategic level and others on a very practical basis. If had to pick out a specific area where I have developed, it would be leadership – both in terms of leading employees and ensuring that projects are developed in the right direction. I have been able to work with many different people, both in Sweden and internationally. This is obviously extremely stimulating and has given me a broad network.

Less than a year after the programme, I was given the role of CFO of Tornum. It goes without saying that Volati Management Program was a prerequisite for this and has given me the experience and knowledge to be successful in my job.

T-Emballage develops and markets high quality materials for the small houses industry and hardware stores, as well as custom packaging solutions for manufacturing industries and sawmills.

4

High operational efficiency

A key part of Volati's business model is to create value by developing successful companies. In partnership with the business units, long-term value is created primarily through sales growth and profitability improvements.

The primary aim of strengthening the business area organisation by increasing the mandates for the business area managers is to enable us to offer our business units increased support in the process of conducting improvement initiatives and continuously enhancing operational efficiency. The business area managers and business unit board chairmen work closely with the companies and may offer new perspectives for growth and profitability, and set requirements for checking that operations and measures are developing according to plan.

Contributing with knowledge and tools

Volati supports its business units by providing them with expertise and tools to improve their business processes. This is achieved by means of the Volati Knowledge concept, which is aimed at harnessing best practice within the Group's business units and adding new expertise and tools.

Among the Volati Knowledge initiatives are a number of Group-wide results improvement programmes, in which training is combined with implementation of new working methods in the business units in areas such as sales, negotiation, purchasing, pricing and digitisation of operations.

In several cases, these have led to directly quantifiable results. In addition to the programmes, there are also training sessions, workshops and talks by experts.

REINVESTMENT

5

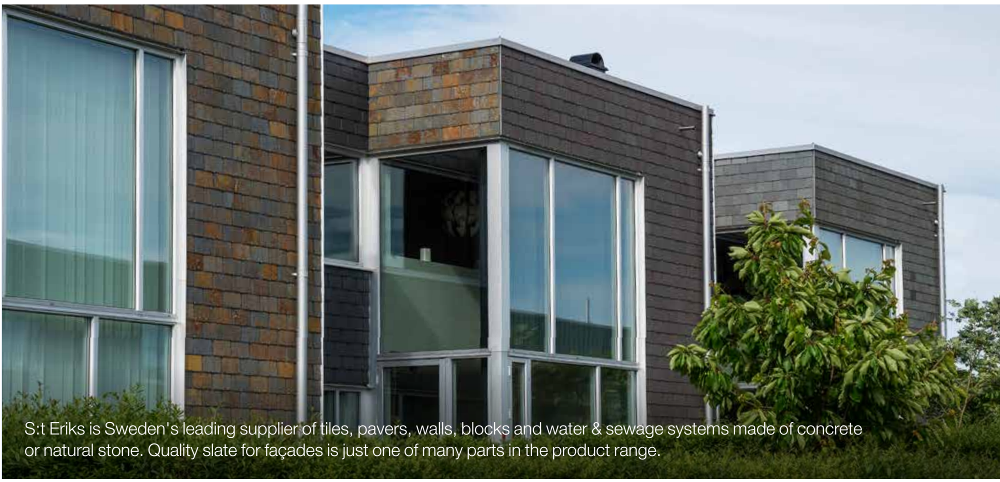
Reinvest for continued growth

Volati creates long-term value by reinvesting the cash flows generated in the business units. We do this in two ways. First, we invest in existing business units to realise the potential for growth that exists in the companies. Second, we invest in the acquisition of new companies, which also represents the largest part of our total reinvestments. Cash conversion from our activities (operating cash flow/EBITDA) has averaged 89 percent over the last five years, giving us a sound and sustainable basis to conduct reinvestments.

Effective capital allocation

Volati handles the balance sheets of all companies to ensure the most effective capital allocation possible in the Group. This means that capital for investments, such as new machines or market investments, is allocated centrally to the individual business units on the best possible basis for Volati, thereby optimising value creation for the Group as a whole.

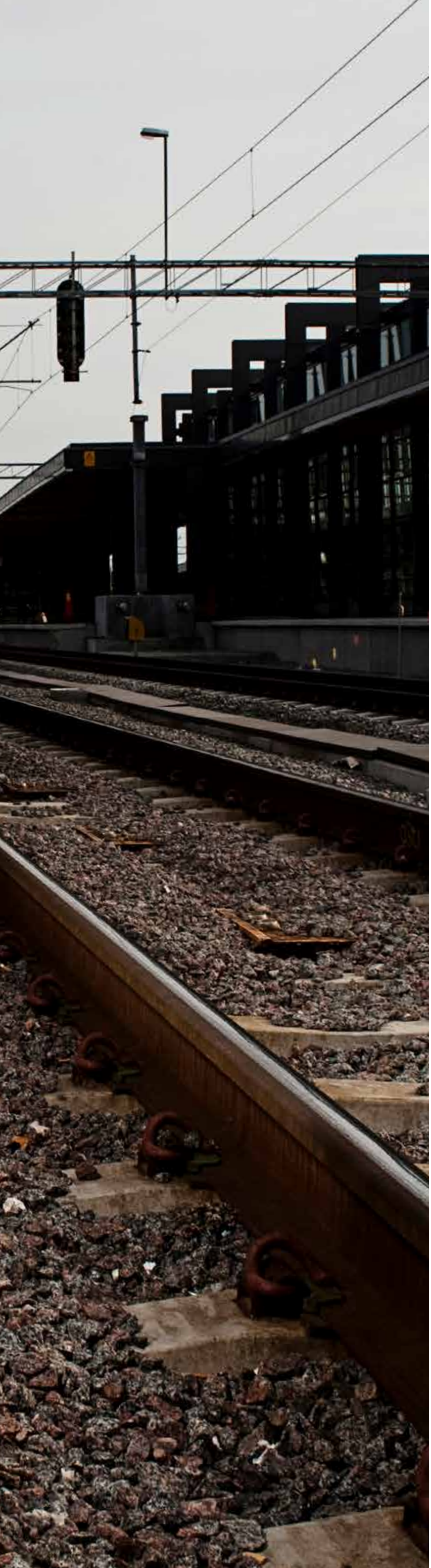
The distribution is based on ongoing discussions by the board of each business unit with regard to investment requirements. This ensures that the needs of all business units are taken into account – whether they require maintenance investments, investments to remain competitive or investments to expand operations. Under this model, a business unit can gain access to financing of larger investments and initiatives than would otherwise be possible.



S:t Eriks is Sweden's leading supplier of tiles, pavers, walls, blocks and water & sewage systems made of concrete or natural stone. Quality slate for façades is just one of many parts in the product range.

S:t Eriks – new business unit in the Volati Group

Volati finalised the acquisition of S:t Eriks in August 2018. The acquisition was made within the framework of Volati's new acquisition organisation, whereby the business area managers are responsible for conducting the acquisition process with support from Volati's central resources.



S:t Eriks is one of Sweden's leading manufacturer of concrete and natural stone products for infrastructure, paving, roofing and water & sewage systems. The products are used mainly in large infrastructure projects and landscape architecture.

"We are convinced that Volati is a good owner for S:t Eriks. We have a long-term approach and want to build a strong company. We had the opportunity to acquire the company at a reasonable valuation. In our acquisition analysis, we also considered that there were exciting opportunities to develop the business," says Nicklas Margård, Head of Business Area Industry and responsible for the acquisition.

Focus on profitable growth

S:t Eriks has successfully created growth and a broader product offering through acquisitions in recent years. Through the acquisitions of Stenia, Stenteknik, Nordskiffer and Vinninga Cement S:t Eriks currently has a strong offering of concrete products, natural stone and slate for paving, roofing and façades.

"Our aim is to now shift the focus from growth to profitable growth. With our industrial knowledge, we want to contribute to increased efficiency for S:t Eriks and to a business with continuing good development opportunities," says Nicklas Margård.

Good market conditions

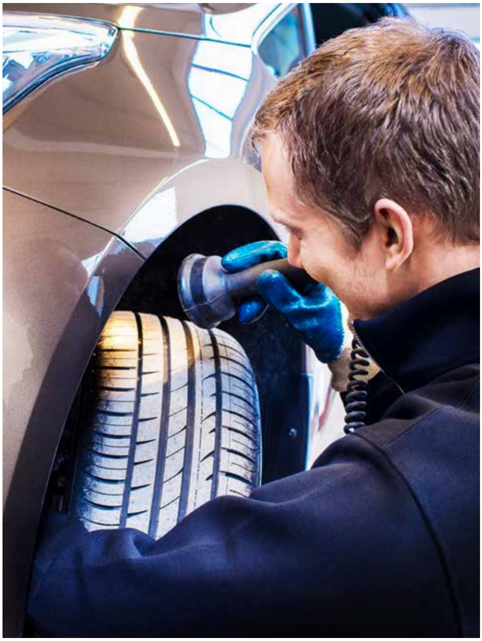
A large part of S:t Eriks' revenue comes from infrastructure projects – an area that Volati identified as interesting in the acquisition analysis.

"Our hypothesis is that underlying demand for infrastructure will be relatively good in the period ahead, despite a temporarily weaker construction market. We see, among other things, pent-up demand in the Swedish road network and in water & sewage systems," says Nicklas Margård.

Continuing development

In the long term, Volati sees interesting development opportunities for S:t Eriks.

"Volati is an acquiring company that continuously evaluates potential acquisition opportunities. We believe that in a longer perspective there may be opportunities to develop S:t Eriks further through add-on acquisitions in different niches, which could strengthen Volati's future presence in the infrastructure area. We also see potential market synergies with our operations in the Trading business area," concludes Nicklas Margård.



Four business areas

Trading

The Trading business area offers products within builders hardware, consumables and material for construction, home and garden, packaging, and agriculture and forestry through dealers, retail chains, e-commerce channels and directly to customers. The units have similar business models and are integrated through a number of functions such as logistics, IT systems and finance. The business area encompasses seven business units with operations in six countries. Trading accounted for 33 percent of the Group's EBITA in 2018.

Key figures	2018	2017
Net sales, SEK million	2,107	1,615
Organic net sales growth, %	–3	–2
EBITA, SEK million	158	125
ROCE excl. goodwill, %	37	35

Consumer

The Consumer business area offers products and services directly to end consumers within three different market niches and is characterised by strong local entrepreneurship. The business area has three business units with operations in five countries. Consumer accounted for 22 percent of the Group's EBITA in 2018.

Key figures	2018	2017
Net sales, SEK million	923	966
Organic net sales growth, %	–5	1
EBITA, SEK million	104	134
ROCE excl. goodwill, %	233	206

Akademibokhandeln

The Akademibokhandeln business area is the leading bookstore chain in Sweden with a strong offering in all product and delivery formats. With stores across the country and online sales under the Akademibokhandeln and Bokus brands, the company operates modern and profitable sales channels for consumers, businesses and the public sector. Akademibokhandeln accounted for 15 percent of the Group's EBITA in 2018.

Key figures	2018	2017
Net sales, SEK million	1,784	1,781 [1)]
Organic net sales growth, %	–	–
EBITA, SEK million	72	81
ROCE excl. goodwill, %	92	187

[1)] Volati aquired Akademibokhandeln during 2017. The figure refers to the full year.

Industry

The Industry business area offers products and solutions for companies within four different market niches. Operations are characterised by strong local entrepreneurship in combination with cooperation in selected areas. The business area consists of four business units with operations in 14 countries. Industry accounted for 30 percent of the Group's EBITA in 2018.

Key figures	2018	2017
Net sales, SEK million	1,271	747
Organic net sales growth, %	20	–6
EBITA, SEK million	144	79
ROCE excl. goodwill, %	43	46

BUSINESS AREA

Trading

"For us, it's essential to improve efficiency and find synergies in operations and administration."

Håkan Karlström
Head of Business Area Trading

How would you describe 2018 for the Trading business area?
We have continued our efforts to take full advantage of the synergies that exist in our common platforms for IT, finance and logistics. It creates significant value for us in terms of reduced costs, increased professionalism and increased competitiveness. We have also developed governance of the companies according to the new governance model. This means that, among other things, we recruited external members to all company boards. They have brought important industry knowledge and new insights.

What challenges have you encountered during the year?

It is clear that the weather has affected us a lot. The long winter gave us snow until April. To add a touch of humour, you could say that not many wooden decks were built in the Easter holidays. The winter weather obviously affected sales in hardware and home improvements. The hot and dry summer also meant lower demand for garden products and mowers. We were also affected by the weaker krona, as most of the companies import their products. However, I'm pleased with how well we managed the challenges. We have well-managed and profitable companies that have been able to compensate for much of this by adapting costs.

You work continuously on streamlining the operations. Can you tell us about this?

For us, it's essential to improve efficiency and find synergies in operations and administration. Reducing the costs for everyday activities enables us to invest instead in areas where we can create growth and increased profitability going forward. This is a key part of our work to create long-term value growth. We have a really good balance between these areas at present.

We have a common structure for IT and finance functions for our business units. We also have a logistics center in Malmö which creates important competitive advantages, not least for two of our largest business units. During the year, we installed the common IT system at another of our business units, which means that six out of seven business units now operate in the joint ERP system.

What are you most satisfied with in 2018?

I'm very pleased with how the operations in the Norwegian market have developed. We have a presence there with several parts of our offering and we deliver one hundred percent on our growth strategy. I'm also pleased that we are continuing to develop the offering within fittings, i.e. handles, hooks and so on. This is a very stable business which achieved its best ever results in 2018.

Where is the focus in 2019?

We have a number of company-wide initiatives that we will pursue vigorously during 2019 and these include both growth initiatives and profitability improvements. For example, we are active in industries with a clear consolidation trend among customers, in particular hardware and home improvements. Its therefore important for those of our business units that are active in that industry to be able to to safeguard their role in the distribution chain and consider how they should direct their offering to customers of the future – whether they are large construction retail chains or independent traders. ■

Our companies

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Habo
Kellfri
Lomond Industrier
Miljöcenter
Sørbø Industribeslag
T-Emballage
Thomée

BUSINESS AREA

Consumer

> "We kept up a fast pace in our change initiatives during 2018 to establish the right conditions for long-term value creation."

Johan Ekström
Head of Business Area Consumer

What are you most satisfied with in 2018?
I'm pleased that we kept up a fast pace in our change initiatives. We have developed new strategic plans for the businesses and are well on the way towards implementing them. We have also strengthened the leadership structure in the entire business area. This has meant that we have brought external expertise to the business units' boards. As we have new CEOs in two of the companies, it was also natural to review the management teams to ensure that we have the right skills to be able to deliver on our plans. It is worth mentioning that both CEO

recruitments were made internally and I think this shows an underlying strength in the companies that we can produce people able to shoulder the CEO role.

What have been the main challenges?

That the financial results haven't developed as we want for the business area as a whole. We have therefore significantly increased the pace of implementing our change initiatives in order to establish the right conditions for long-term value creation. It's partly about becoming more efficient and partly about taking advantage of all the opportunities that exist in our markets. This is also the reason why we have produced new strategic plans and are implementing several improvement measures.

How important is the issue of digitisation to the Consumer business area?

It is very important for our business – both to meet customers' expectations of a high service level and a personal experience in our e-commerce channels, and to drive growth. We are conducting several different digital business development projects at the moment. It is about developing our own channels but also about how we use social media and influencers to strengthen brands and increase sales.

What will be the main areas for the Consumer business area in 2019?

We will have full focus on implementing the strategic plans in the business units, with the objective of increasing profitability. We have started taking measures to increase the gross margin. We are doing so by continuing the process of optimising pricing and by streamlining and reducing purchasing costs in all business units, both for products and services. We will be putting a great deal of effort into this in 2019. In addition, we have a general focus on efficiency within the business area, which will apply even more during 2019. ■

Our companies

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Besikta Bilprovning
me&i
NaturaMed Pharma

BUSINESS AREA

Akademibokhandeln

“We want to create a world-class omni-channel offering where we meet customers in all channels."

Maria Edsman
Head of Business Area Akademibokhandeln

What has been the main focus for the Akademibokhandeln business area in 2018?
We started the year by reviewing our strategy and how we want to develop the business going forward. A central part of this is to create a world-class omni-channel offering where we meet customers in all channels. We continue to improve the instore customer experience with new store concepts and events. At the same time, we are optimising our e-commerce channels. The book is at the heart of our offering, but we are constantly working on developing the rest of the range. For example, we have a growing range of

unique and inspiring products under our own brand – ranging from notebooks to items for the home.

A milestone during the year was the launch of Bokus Play. Can you tell us about that?

I'm delighted that we can now offer our customers a subscription service for audio books. This is an integral part of our omni-channel strategy. One difference from existing services on the market is our flexible subscription, in the form of a basic and a premium subscription, to suit both the large consumer and someone who listens to one book or so during the month. It is also possible to switch between subscriptions. Our subscribers also receive a discount when they buy from Akademibokhandeln or Bokus and always have free shipping.

You invested in the Bokus e-commerce channel during the year.

Our ambition is for Bokus to be one of the market's best e-commerce retailers. The single most important aspect of this is the customer experience and this is something we work on all the time. As a customer you should be inspired and easily able to find what you are looking for. It should be easy to pay and you should be receive your goods quickly. We have invested in a new CRM system to strengthen customer relationships during the year. We have purchased new logistics solutions for faster and more flexible delivery. We have also started upgrading our payment solution for even easier check-outs.

What challenges have you had?

The big challenge is that we want to maintain a fast pace in our business development so that we have an offer that exceeds customer expectations, whether in the stores or via our e-commerce channels. At the same time, we must continuously become more efficient and adapt our costs in line with how the sector as a whole is developing. There is a constant shift in sales from stores to e-commerce and digital formats, which affects the margins. I am very pleased that we were able to address both of these aspects in 2018.

What are you most satisfied with during the year?

There are actually many things. To name a few, we have strengthened the company's leadership through both external and internal recruitment. I feel that we are a very strong team and are leading the company forward. I'm also pleased with all my employees, who do a fantastic job every day as we head towards our goals.

We also have clear strengths that no-one else can copy. With the launch of Bokus Play, we can now offer books in all forms and in all channels. We also have a steadily growing loyalty club, Akademibokhandelns Vänner, with about two million members, and we work hard to give them the best possible offering at all times. This is a fantastic marketing channel for when we launch new services in the future. ■

Our companies

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Akademibokhandeln

Bokus

BUSINESS AREA

Industry

"2018 was a very good year, in which profitability increased by over 80 percent."

Nicklas Margård
Head of Business Area Industry

How would you sum up 2018 for the Industry business area?

In terms of earnings, this has been a very good year, where we set new sales and profitability records in two of our business units. This is based on the fact that our business units have skilled CEOs and employees who do a fantastic job every day. We also made an exciting acquisition in S:t Eriks, a good company which we purchased at a reasonable valuation. The integration has progressed according to plan and we have externally recruited a new CEO and internally recruited a new CFO to the company.

What have been the priority development areas during the year?

We have devoted a great deal of energy to strengthening the governance of our business units. We have recruited new external members to virtually all of the boards and brought in both sector and function-specific expertise. I can see that this will really strengthen the business units in their continuing development.

We also maintain a constant focus on operational efficiency in all business units. An important part of this involves ensuring that we reduce costs wherever we can. This in turn creates opportunities for making growth-oriented investments.

We also conducted training programmes in both sales and negotiation across the entire business area. The aim was to provide key employees with additional tools for strengthening market development and to reduce costs through improved purchasing procedures.

You have made forward-looking investments in the business units. Can you tell us more?

We have carried out exciting product development projects in several business units during the year. Among other things, we have developed grain handling facilities that are adapted to the unique climate conditions in many Asian markets. We have also launched a number of new products that have strengthened our dehumidification offering.

We have invested in new production equipment in several of the business units. This has been aimed at both increasing capacity and taking advantage of efficiency opportunities. By investing in new technology, we have also created an even stronger offering in digitally printed labels. It is something that is demanded by our customers in the food industry, where the label is an important part of brand building.

Where is the focus in 2019?

We are obviously continuing the ongoing process of streamlining our operations where possible. At the same time, we will be investing further in product development in all business units to strengthen our offering and market position. We also see good opportunities to step up the work towards strategic goals in several of the business units. Within this framework, we will look at both expansion into new geographical markets and complementary add-on acquisitions. ■

Our companies

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Corroventa
Ettikettoprintcom
S:t Eriks
Tornum

The share

Shares and share capital

Volati's ordinary and preference shares are listed on Nasdaq Stockholm. At the end of 2018, the number of ordinary shares was 80,406,571 and the number of preference shares was 1,603,774. Volati's share capital on 31 December 2018 totalled SEK 10,251,293.13, divided into 82,010,345 shares. Each ordinary share entitles the holder to one (1) vote and each preference share to one-tenth (1/10) of a vote.

Share price development

Volati's ordinary share showed a negative development of 47.8 percent in 2018. The highest closing price during the year was SEK 63.30, noted on 2 January. The lowest closing price was SEK 33.00 on 28 December. Volati's preference share showed a positive development of 3.0 percent in 2018. The highest closing price during the year was SEK 694.00 on 4 October and the lowest was SEK 636.00 on 3 January and 15 January.

Share trading volume

A total of 11,594,997 ordinary shares and 447,984 preference shares were traded during 2018. The average daily trading volume was 46,380 for the ordinary share and 1,792 for the preference share.

Dividend policy

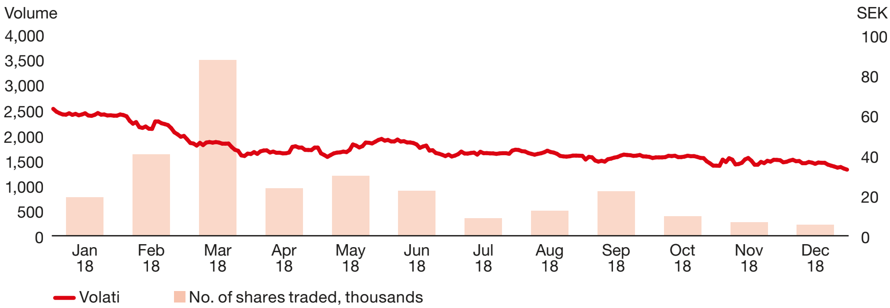
Volati's dividend policy for ordinary shares is to distribute 10–30 percent of the Group's net profit attributable to owners of the Parent Company.

The Board proposes a dividend of SEK 1.00 (0.50) per ordinary share for 2018, which corresponds to 30 percent of net profit attributable to the Parent Company's shareholders. Dividends on preference shares are to be issued at an annual amount of SEK 40.00 per preference share, in quarterly payments of SEK 10.00.

Shareholder structure

The number of Volati shareholders at the end of 2018 was 6,335 (6,951), with the 15 largest shareholders holding 92.8 (92.2) percent of the share capital and 93.7 (93.3) percent of the votes. Investors outside Sweden owned 2.9 (4.5) percent of the share capital and 2.5 (2.5) percent of the votes.

Share price development, ordinary share



Authorisation for acquisitions of own ordinary shares and preference shares

The AGM authorised the Board to decide on acquisitions of own ordinary shares and preference shares.

Acquisitions may be made on Nasdaq Stockholm or in accordance with an offer that either may be directed to all shareholders or to all holders of the share class that the board of directors decides to acquire. The purpose of acquisitions of own shares will be to enable an optimised capital structure or, as regards acquisitions of preference shares, to enable the use of preference shares as consideration for or as financing of acquisitions of companies or businesses. Acquisitions may only be made of so many shares that the company's holding of own shares after each such acquisition amounts to a maximum of one tenth of all shares in the company.

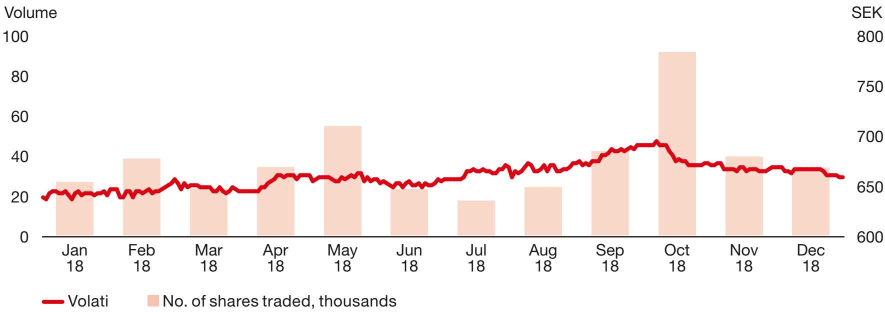
Authorisation for transfers of own preference shares

The AGM authorised the Board of Directors to decide on the transfer of the Company's own preference shares. Transfers of own preference shares may take place on Nasdaq Stockholm and by means other than on Nasdaq Stockholm. Transfers of own preference shares on Nasdaq Stockholm may only take place at a price within the price interval registered at any given time. Transfers of own preference shares by means other than on Nasdaq Stockholm may be made with a derogation from shareholders' preferential rights at a price per preference share that does not fall below what is market-based, meaning that a market-based discount on the preference share's price may be applied. The reason for a possible derogation from shareholders' preferential rights when transferring own preference shares by means other than on Nasdaq Stockholm will be to enable the Company to use its own preference shares as payment for or as financing of acquisitions of companies or businesses.

Authorisation to issue new preference shares

The Annual General Meeting authorised the Board, on one or more occasions before the next AGM, to decide on new issues of up to 320,754 preference shares (corresponding to about 20 percent of the present number of preference shares issued) with or without preferential rights for shareholders. The purpose of the authorisation, and the reason for allowing a derogation from shareholders' preferential rights, is to ensure that new shares can be issued to enable the Company to use preference shares as payment for or financing of acquisitions of companies or businesses.

Share price development, preference share



Share capital development

The following table shows the changes in share capital as from Volati's formation.

Year	Event	Change in no. of ordinary shares	Change in no. of preference shares	Total no. of shares	Change in share capital	Total share capital	Quotient value (SEK)
1998	New formation	1,000	–	1,000	100,000	100,000	100
2006	Bonus issue	49,000	–	50,000	4,900,000	5,000,000	100
2007	Share split 400:1	19,950,000	–	20,000,000	–	5,000,000	0.25
2011	Warrants	505,656	–	20,505,656	126,414	5,126,414	0.25
2011	Decrease through withdrawal of shares	–305,656	–	20,200,000	–76,414	5,050,000	0.25
2015	Share split 10:1	181,800,000	–	202,000,000	–	5,050,000	0.025
2015	New share issue	–	6,603,773	208,603,773	165,094.3	5,215,094.3	0.025
2015	Private placement to main owner	–	1,415,094	210,018,867	35,377.3	5,250,471.7	0.025
2016	Non-cash issue[1)]	95,722,508	–	305,741,375	2,393,062.7	7,643,534.4	0.025
2016	New share issue[2)]	2	3	305,741,380	0.125	7,643,534.5	0.025
2016	Reverse share split 1:5	–238,178,008	–6,415,096	61,148,276	–	7,643,534.5	0.125
2016	New share issue[3)]	20,862,069	–	82,010,345	2,607,758.625	10,251,293.13	0.125

1) In January 2016, the share swap in Volati AB (publ) announced and adopted by the AGM took place, whereby Patrik Wahlén (Chairman of the Board), Mårten Andersson (CEO) and Mattias Björk (CFO) under a non-cash issue swapped their shares in Volati 2 AB for shares in Volati AB (publ).

2) In conjunction with the reverse share split in September 2016, three preference shares and two ordinary shares were issued, in order to achieve an even number of shares in the company before the reverse share split. The preference shares were issued for a subscription price of SEK 106 per preference share and the ordinary shares were issued for a subscription price of SEK 0.025 per ordinary share (equivalent to the shares' quotient value at that time).

3) The new issue took place in conjunction with the listing of Volati's ordinary shares in November 2016.

Warrants

In 2016, Volati issued warrants that a former senior executive acquired. The warrants entitle the holder to subscribe for 834,914 ordinary shares during the period 1 February to 31 July 2019 at a subscription price of SEK 30.50 per share.

Issued warrants	Highest no. of new ordinary shares based on warrants outstanding	Highest increase in share capital	Highest increase in no. of shares and votes
Issued warrants of series 2016/2019	834,914	SEK 104,364.25	1.02% of the shares and 1.03% of the votes

Ownership structure 31 December 2018

The tables below present information concerning the ownership structure in Volati AB at 31 December 2018.

Voting rights and percentage of share capital

Class of shares	No. of shares	Voting rights per share	No. of votes	Share of capital	Share of votes
Ordinary shares	80,406,571	1.0	80,406,571	98.04%	99.80%
Preference shares	1,603,774	0.1	160,377	1.96%	0.20%
Total	**82,010,345**		**80,566,948**	**100.0%**	**100.00%**

Shareholders by country

	No. of share-holders	No. of shares	Share of capital	Share of votes
Sweden	6,190	79,629,793	97.1%	97.5%
Other countries	145	2,380,552	2.9%	2.5%
Total	**6,335**	**82,010,345**	**100.0%**	**100.0%**

Shareholders by size

No. of shares	No. of share-holders	Share of capital	Share of votes
1–500	5,398	0.7%	0.4%
501–1,000	381	0.4%	0.3%
1,001–10,000	463	1.8%	1.5%
10,001–	93	97.2%	97.8%
Total	**6,335**	**100.0%**	**100.0%**

The 15 largest shareholders[1)]

	No. of shares		Share of	
Name	Ordinary shares	Preference shares	Capital	Votes
Karl Perlhagen	34,440,000	216,190	42.3%	42.8%
Patrik Wahlén	19,356,283	0	23.6%	24.0%
Fjärde AP-fonden	5,328,913	0	6.5%	6.6%
Handelsbanken fonder	4,184,509	0	5.1%	5.2%
Didner & Gerge Fonder Aktiebolag	3,914,000	0	4.8%	4.9%
Mårten Andersson	2,511,532	1,887	3.1%	3.1%
Mattias Björk	2,198,805	0	2.7%	2.7%
Mats Andersson	668,111	0	0.8%	0.8%
RBC Investor Services Bank S.A.	553,299	6,348	0.7%	0.7%
Försäkringsaktiebolaget Avanza Pension	480,664	136,576	0.8%	0.6%
Danica Pension	478,627	1,965	0.6%	0.6%
SEB Investment Management	439,287	0	0.5%	0.5%
SEB S.A.	287,930	281,876	0.7%	0.4%
Aktiebolag 1909 Gruppen	290,758	44,940	0.4%	0.4%
Nordea Livförsäkring Sverige AB	263,964	6,206	0.3%	0.3%
Total 15 largest shareholders	**75,396,682**	**695,988**	**92.8%**	**93.7%**
Other shareholders	5,009,889	907,786	7.2%	6.3%
Total	**80,406,571**	**1,603,774**	**100.0%**	**100.0%**

1) The shareholder structure is based on information from Euroclear Sweden as of 28 December 2018.

Five reasons to invest in Volati

1. **Quality company with good earnings:** Volati's business is based on a clear business model. Volati acquires well-managed companies with proven business models, leading market positions and strong cash flows. This has contributed to Volati being a diversified industrial group with strong business units that show good earnings.

2. **Successful acquirer:** Volati is an established player in the acquisition market and has completed 27 acquisitions since 2003 at an average multiple of 5.9 (EV/EBITDA). With a strong acquisition organisation and disciplined acquisition strategy, Volati has been able to acquire companies at reasonable valuations in the face of changing market conditions.

3. **Proven and scalable operational model:** Volati's operational model is based on decentralised governance of the business units, which means that daily decision-making takes place in the operations. With clear business monitoring and support with knowledge, tools and financing, Volati contributes to an environment where the business units can grow in a climate of good profitability and optimum development.

4. **Attractive financial profile:** Volati has historically shown strong financial development, driven by profitable business units with good organic growth combined with value-creating acquisitions. This has resulted in strong growth and cash conversion, and a good return on equity.

5. **Experienced Management Group, Board and strong organisation:** Volati is led by an experienced management group, whose experience is supplemented by a history of creating long-term value. Management is supported by a committed and active Board with relevant and diversified backgrounds. Volati has a strong and competent organisation that continues to drive the Group forward.

Volati Annual Report

CONTENTS

Administration Report

The Board of Directors and CEO of Volati AB, corp. reg. no. 556555-4317, with its registered office in Stockholm, hereby present the annual report and consolidated financial statements for the 2018 financial year.

Volati's operations

Volati is an industrial group comprising 15 business units, organised in four business areas: Trading, Consumer, Akademibokhandeln and Industry.

Acquisitions are a central component of Volati's strategy. Volati mainly acquires reasonably valued companies with proven business models, leading market positions and strong cash flows and develops them with a focus on long-term value creation. Volati's corporate-development strategy is based on retaining the companies' entrepreneurial spirit and adding leadership, expertise, processes and financial resources. Volati's flexible organisation enables fast decision-making and its decentralised governance model means that day-to-day decisions are made in the operations, with limited involvement from Volati. The decentralised business model is a key success factor as it creates a high level of entrepreneurship in the business units, provides a clear responsibility framework and helps to ensure that Volati can continue to grow without excessive central resources.

In total, the Group has about 60 operating companies in 16 countries, with Sweden accounting for the largest share of net sales. The business areas' share of the Group's total EBITA for 2018 was as follows: Trading 33 percent, Consumer 22 percent, Akademibokhandeln 15 percent and Industry 30 percent.

Trading: The Trading business area consists of seven business units with 16 operating companies in six countries. The business area's companies primarily offer products within builders hardware, consumables and materials for construction, home and garden, packaging, and agriculture and forestry. Distribution to customers is via dealers, retail chains, e-commerce channels and directly to customers. The business area manager is chairman of the business units' boards and is responsible for coordinating Volati's central support and supporting acquisition processes.

Consumer: The Consumer business area has three business units with a total of eight operating companies in five countries. The business units focus on various B2C niches and are driven by a combination of strong local entrepreneurship and collaboration in selected areas, such as database marketing, digitisation and e-commerce. The business area manager is chairman of the business units' boards and is responsible for coordinating Volati's central support and for supporting acquisition processes.

Akademibokhandeln: The Akademibokhandeln business area consists of one business unit with a total of two operating companies in Sweden – Akademibokhandeln, Sweden's leading bookstore chain, and the online bookstore, Bokus. The business area focuses on omni-channel sales of books and paper products. The business area manager is responsible for coordinating Volati's central support and for supporting acquisition processes.

Industry: The Industry business area consists of four business units with a total of 30 operating companies in 14 countries. The business area focuses on various B2B niches and is driven by a combination of strong local entrepreneurship and collaboration in selected areas, such as expansion into new markets and production efficiency. The business area manager is chairman of the business units' boards and is responsible for coordinating Volati's central support and for supporting acquisition processes.

Acquisitions, new establishments and restructuring

A central part of Volati's strategy is to continue growing by acquiring well-managed companies, both as a complement to existing business units and as entirely new types of business. The acquisition market continued to be competitive in 2018, but our assessment is that Volati is in a position to make acquisitions on attractive terms. Acquisitions during the year consisted of S:t Eriks, a leading manufacturer of concrete and natural stone products. During the year, an internal restructuring took place, and the parent company has acquired several, previously indirectly owned, subsidiaries mainly at book value, see Note 10. The reason for the restructuring was that the Group's legal structure should align with the Group's business area structure.

Financial targets

Volati's overall objective is to generate long-term value growth by building an industrial group of profitable companies with solid cash flows and capacity for continuous development. Volati's Board has adopted the following financial targets, which should be evaluated as a whole.

- **EBITA growth:** Volati's target is for an adjusted EBITA of SEK 700 million by the end of 2019, which corresponds to just over twice the adjusted EBITA reported for the twelve-month period ended 30 September 2016. The target for average annual organic EBITA growth is 5 percent.
- **Cash conversion:** Volati's target is to achieve annual cash conversion of more than 85 percent.
- **Return on equity:** Volati's long-term target is a return on equity of more than 20 percent.
- **Capital structure:** Volati's long-term target is a net debt/adjusted EBITDA ratio (LTM) not exceeding 3.0x.
- **Dividend policy:** Volati's target for ordinary shares is to distribute 10–30 percent of the Group's net profit attributable to the ordinary shares. When determining the dividend, Volati's Board looks at future acquisition opportunities, scope for developing existing companies, the Group's financial position and other factors it considers significant. Dividends on preference shares are issued at an annual amount of SEK 40.00 per preference share, in quarterly payments of SEK 10.00, in accordance with the Articles of Association.

The financial targets are guidelines and are not, and should not, be regarded as forecasts or estimates of Volati's future earnings. The targets are based on a number of assumptions concerning Volati's operations, and the industry and macroeconomic environment in which Volati operates. As a result of what is stated above and other factors, Volati's actual earnings may deviate from the above targets.

Development during the year

Financial development within the business areas has varied, partly due to changes in the market segments' development, but also as an effect of various company-specific events. This has resulted in some business areas reporting positive growth, while others have been adversely affected by specific events.

Net sales and earnings

The Group's net sales for the full year 2018 amounted to SEK 6,084 (4,356) million, an increase of 40 percent compared with the previous year. The increase was driven by acquisitions.

EBITA for the full year 2018 amounted to SEK 433 (377) million, an increase of 15 percent. The increase in profitability is mainly related to acquisitions. Organic EBITA for the full year was unchanged.

Profit after tax for the full year 2018 increased to SEK 274 (241) million. Profit after tax attributable to owners of the Parent amounted to SEK 272 (240) million. Profit after tax attributable to non-controlling interests was SEK 2 (1) million. Earnings per ordinary share after deduction of preference share dividends amounted to SEK 2.58 (2.19).

Companies acquired or divested during the year are included from the acquisition or divestment date, or the date on which control was transferred.

Cash flow

Cash flow from operating activities for 2018 amounted to SEK 448 (475) million. The cash conversion rate for 2018 was 86 (112) percent. Investments in non-current assets in the business units amounted to SEK 83 (57) million for the full year 2018 and were primarily related to business development investments in the form of IT systems and ongoing investments in machinery and equipment. Investments in Group companies in 2018 were primarily related to the acquisition of S:t Eriks. Total cash flow for the full year 2018 was SEK –199 (71) million.

Development expenses
The Group's research and development expenses are either expensed as they arise or capitalised and amortised over their estimated useful lives, depending on the nature of the project and operations. Development expenses of SEK 32 (22) million were capitalised during the year and were primarily related to business development within Akademibokhandeln. In addition, the Group's earnings were charged with development expenses of SEK 1 (2) million.

Employees
The average number of employees during the year, calculated as full-time equivalents (FTEs), was 2,157 (1,750).

Equity
The Group's total equity at the end of the period amounted to SEK 2,567 (2,365) million. Equity attributable to owners of the Parent, adjusted for preference share capital, increased from SEK 1,524 million at 31 December 2017 to SEK 1,731 million at 31 December 2018. The equity ratio at 31 December 2018 was 46 percent, compared with 47 percent at the end of 2017. Net debt increased during the year, as a result of the acquisition of S:t Eriks. The average return on adjusted equity for the full year 2018 was 13 (12) percent.

Share capital
There were 80,406,571 ordinary shares and 1,603,774 preference shares at the end of 2018. Volati's share capital on 31 December 2018 totalled SEK 10,251,293.13, divided into 82,010,345 shares. All shares are issued and fully paid, each with a par value of SEK 0.125. No shares in the Company are held by the Company itself, on its behalf or by its subsidiaries. Each ordinary share gives entitlement to one (1) vote and each preference share gives entitlement to one-tenth (1/10) of a vote at the AGM, and all shareholders with voting rights may vote for the full number of shares owned and represented, without any restrictions on voting rights.

Net debt
The Group had net debt of SEK 949 million at the end of the year, compared with SEK 619 million at 31 December 2017. The change in net debt is mainly attributable to the acquisition of S:t Eriks. Total liabilities amounted to SEK 3,005 million, compared with SEK 2,642 million at 31 December 2017. Interest-bearing liabilities, including pension obligations, were SEK 1,217 million at the end of the year, compared with SEK 1,092 million at 31 December 2017. At the end of the year, the unutilised portion of the overdraft facility amounted to SEK 160 million, the unutilised portion of the revolving credit facility was SEK 450 million and cash & cash equivalents totalled SEK 241 million.

In addition, Volati has issued preference shares at a nominal amount of SEK 850 million, classified as equity. Preference shares carry entitlement to a quarterly dividend payment of SEK 16.0 million.

Volati's financing agreements are subject to customary terms and conditions, i.e. covenants, from Volati's bank. The financial covenants attached to the loan stipulate that net debt to EBITDA may not exceed a certain level and EBITDA to net interest income ratio may not fall below a certain level. The Group has not breached any covenants during the year. Volati has not provided any security for bank financing. The Parent Company has provided surety for all subsidiaries' bank obligations. The Group two outstanding listed bonds. The Parent Company issued a 5-year bond of SEK 600 million in 2017 and the subsidiary Akademibokhandeln Holding AB has issued a bond of SEK 500 million, and Volati AB has acquired SEK 192 million of this bond which matures in March 2021 but has an option for early redemption in March 2019 at 103 percent of the nominal amount, see events after the reporting date. Neither the Volati AB bond nor the Akademibokhandeln bond contains any financial covenants to be maintained on an ongoing basis. However, certain key figures must be achieved, to ensure that the companies are able to undertake certain activities such as dividend distributions and borrowing. No such covenants associated with the bonds were breached during 2018.

Future development

Volati is not making any financial forecasts for next year's development. The assessment is that Volati is financially well-equipped for 2018 and has the financial capacity to continue to operate in accordance with the established strategy and defined financial targets, which also enables further acquisitions of businesses during the next few years if the right opportunity arises.

Shareholders

Volati AB's ordinary and preference shares have been listed on Nasdaq Stockholm since November 2016. The number of shareholders was 6,335 at the end of the year. The largest shareholders at the end of the year were the founders Karl Perlhagen with 42.8 percent of the votes and Patrik Wahlén with 24.0 percent of the votes.

2019 Annual General Meeting

Volati AB's 2019 Annual General Meeting will be held at 17.00 on 25 April 2019 at Finlandshuset, Snickarbacken 4, Stockholm.

Events after the reporting date

Volati has entered into a new loan agreement with Nordea for a revolving credit facility and overdraft facility. Part of the amount will be used to finance the subsidiary Akademibokhandeln's early redemption of outstanding bonds. This gives Volati an improved financing structure, extends the loan framework for continued acquisitions and reduces the Company's finance costs by about SEK 15 million per year.

Proposed appropriation of profits

The Board of Directors proposes that:

	SEK
Retained earnings	301,375,890.74
Net profit	497,179,363.18
Share premium reserve	2,435,166,768.10
Be appropriated as follows:	
Dividend of SEK 1.00 per ordinary share, totalling	80,406,571.00
Dividend of SEK 40.00 per preference share, totalling[1)]	64,150,960.00
Carried forward	3,089,164,491.02

1) The previous Annual General Meeting resolved on dividends on preference shares of SEK 40 per share, corresponding to a total of SEK 64,150,960, to be paid quarterly, of which the record date for the last payment is May 5, 2019. This outstanding dividend has been considered within the framework of the annual report for the financial year 2018 and has thus already been reduced from the amount available to the AGM.

Board statement on the proposed distribution

The proposed dividend reduces the Parent Company's equity ratio from 57 percent to 56 percent. The equity ratio is satisfactory in view of the fact that the Company's operations continue to be conducted profitably. The assessment is that the Company's liquidity can be maintained at a similarly satisfactory level. The Board's understanding is that the proposed dividend will not prevent the Company from discharging its obligations in the short or long term or making necessary investments. The proposed dividend distribution can therefore be justified pursuant to Chapter 17, Sections 3.2 and 3.3, of the Swedish Companies Act (the precautionary principle).

Sustainability Report

VOLATI'S JOURNEY with a clearer focus on sustainability continues. Last year, we presented our first sustainability report and the Board adopted Volati's first Group-wide sustainability policy. This year, we have continued our work in main areas of diversity, equality and non-discrimination, and health and safety. These areas are important to both our own and our business areas' activities, and we have good opportunities to exert an influence and contribute to sustainable development. In addition to the areas I mentioned above, we work on anti-corruption, human rights and environmental issues, both on a Group basis and in each business unit.

At the end of August, Volati launched a whistleblower service enabling all Group employees to anonymously report irregularities that violate the Group's or their own business unit's codes of conduct.

Below, we present a more detailed account of how Volati and our business units work on sustainability issues.

Mårten Andersson, CEO

Sustainability at Volati

Volati has a clear and simple business concept: to acquire companies with proven business models at reasonable valuations, and to further develop them with a focus on long-term value creation.

Since Volati was founded in 2003, we have completed 27 acquisitions of companies active in different industries. To ensure that all of Volati's business units operate on a responsible and sustainable basis, we have developed a common Group framework for our sustainability initiatives. This framework is summarised in Volati's sustainability policy and concerns every aspect of our activities – from observing sustainability aspects in the investment process, to how the individual business units are expected to operate as sustainable companies. There are also several additional policies, such as the HR policy, codes of conduct and purchasing policy, in the Group and in the business units, which also highlight the applicable compliance requirements.

Volati's investment activities and actions as a responsible owner must reflect the ten principles of the UN Global Compact, the OECD's Guidelines for Multinational Enterprises, and the United Nations Principles for Responsible Investment (UNPRI).

This means that Volati does not acquire companies whose operations breach the aforementioned conditions and this cannot be rectified by post-acquisition measures.

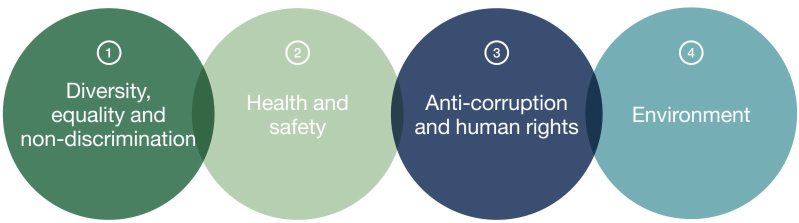
After conducting a materiality analysis for all business units in the Group, Volati has expressed a Group-wide ambition to promote sustainable development in four selected focus areas: diversity, equality and non-discrimination, health and safety, anti-corruption and human rights, and environment. These are the same focus areas as in the previous year.

1 Diversity, equality and non-discrimination

Volati has previously identified diversity, equality and non-discrimination as a priority area.

Volati has stakeholders from different cultures and backgrounds, both in the Swedish operations and among the business units, customers and suppliers in other countries. The ability to interact with and manage our stakeholders in the right way is important and requires a diversified workforce that is reflective of the society in which we operate. This helps to safeguard Volati's long-term competitiveness.

Volati has a Group-wide HR policy that all business units are required to follow, as a



minimum level. The policy establishes the equal value of all people and stipulates that Volati must have fair conditions between individuals and groups. No-one shall suffer discrimination or victimisation, and each business unit must have guidelines and instructions describing how to act should this occur.

Volati's gender distribution in managerial positions is predominantly male, with the exception of some operations that have a more equal balance and one business unit where the reverse balance applies.

During the year, we started several initiatives to increase diversity – with the primary focus on equality.

Risks

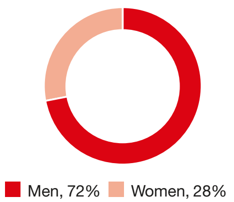
Volati and our business units benefit from a workplace that is inclusive and where differences are welcomed, respected, valued and nurtured. This contributes to ensuring satisfied and productive employees. With an excessively homogeneous workforce, there is a danger of overlooking the potential and benefits offered by diversity and adopting a unilateral approach to risks and opportunities.

Equality work at Volati

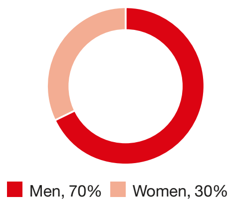
During the year, responsibility for equality issues has been clarified. The chairmen and CEOs of the business units are responsible for equality work. Equality is now an integral part of the HR agenda on the circular calendars of the company boards. As part of the annual work, an equality analysis must be conducted, which includes a current status description, challenges, priorities, measures and follow-up. Volati also ensures an equality perspective in the Group-wide skills development programmes such as Volati Academy, Volati Management Program and others. This includes all aspects of equality such as design, selection of candidates, processes and suppliers. For the Group-wide programmes, the stated ambition is to recruit and engage a significant predominance of women. An annual evaluation of the companies' equality work is conducted by Volati's management and reported to the Board.

Indicator for diversity, equality and non-discrimination

Gender distribution of the business units' management groups[1)]



Gender distribution of employees, total[1)]



[1)] See Note 6 on page 102 for a more detailed description.

② Health and safety

Volati considers that its employees are the single most important success factor and create Volati's long-term competitiveness. The overall objective is for everyone in the Group to experience a good, safe and secure work environment. Volati requires every business unit to have a clear process for work environment management and to have, as a minimum, a work environment policy and drug and alcohol policy in place.

Volati is convinced that healthy employees not only reduce sickness absence and the risk of stress and burn-out, but also contribute to a positive atmosphere and improved performance. Volati therefore offers all employees a fitness allowance, training and other activities to encourage a healthier lifestyle.

Under Volati's decentralised governance model, a large share of work environment responsibility lies with senior executives in the business units. Managers are responsible for safeguarding employees' welfare and ensuring a good work/life balance. The new data protection regulation entered into force during the year, providing increased privacy protection for employees and customers.

Risks

Due consideration of our employees' health and safety is of key importance to Volati and the Group's business units. Within many of the business units there are duties that involve a risk of occupational injuries and accidents, and of stress. Both Volati and the business units work actively to prevent accidents and ensure a good work/life balance.

Health and safety - SWEM

At Volati, systematic work environment management (SWEM) is considered an important part of every manager's everyday life. The health and safety of our staff is of the utmost importance. The basis for this is the work environment policy and other relevant policies, such as the alcohol and drug policy. To ensure continuous improvement work, most business units have safety committees that meet regularly.

Attracting, developing and retaining employees is crucial to achieving success and achieving good results, and this is followed up by measures such as annual employee interviews. Employees are also offered regular training in relevant areas,

Indicator for health and safety

Number of reported incidents and days of absence[1)]

	Number of reported incidents	Of which resulting in sick leave (after 7th day)
Trading	2	1
Consumer	34	6
AKB	3	1
Industry	31	6
	70	**14**

[1)] All persons have now made a recovery and are fully fit for work.

ranging from fire safety and cardiopulmonary resuscitation to Excel, materials and leadership. At Group level, there are skills development and training initiatives such as Volati Knowledge, Volati Management program, Volati Academy and Volati Management Meeting.

③ Anti-corruption and human rights

Volati and our business units have operations in 16 countries, with an emphasis on the Nordic countries. For this reason, it is Volati's general assessment that there is a low risk of the business units being directly involved in unethical business conduct, such as violations of human rights. However, there is always a risk that corruption may arise. In the business units there may be indirect impacts and exposure to suppliers who do not have the same low tolerance for unethical business conduct as companies operating in the Nordic countries. With this in mind, we work actively on auditing suppliers. Most of our business units require suppliers to sign a supplier code of conduct before entering into an agreement. During the year, we conducted the majority of the supplier audits and supplier assessments.

Risks

Anti-corruption

Some of the Group's business units operate in sectors or territories that bring exposure to and increased risk of bribery and corruption. This may involve bribes offered in return for disregarding irregularities or for sharing investment information. Both Volati and the business units have zero tolerance for bribery and corruption.

Human rights

Purchasing products and components from regions such as eastern Europe and Asia brings a risk of human rights violations in the supply chain. The business units seek to systematically prevent this by establishing dialogue, setting requirements and auditing suppliers.

Indicator for anti-corruption and human rights

Total number of known cases/notifications of corruption offences and violations of human rights. *No incidents were reported in 2017.*

Supplier audits

During the year, the procedure that has been developed for supplier audits in the Trading business area was broadened to cover more business units. This is based on a requirement for all suppliers and their own subcontractors to sign a code of conduct. Supplier audits are conducted by means of site visits and through external auditors. Both processes and the supplier's working practices are audited.

④ Environment

Volati and our business units operate in many different sectors and it is extremely important that they all adhere to the laws and regulations governing the environmental area.

Volati's Sustainability Policy states:
Environmental issues – Seek to reduce negative environmental impacts by:

- Complying with local environmental legislation.
- Aiming to ensure sustainable management of resources and to limit emissions of hazardous substances and toxic waste.
- Aiming to ensure energy efficiency and to limit emissions of greenhouse gases, unless there are significant business reasons not to do so.
- Being aware of other significant environmental issues.

In addition to these more general principles, the business units have their own adopted sustainability policies, which can be more extensive, with clear goals for minimising environmental impacts.

Risks

Through its business units, Volati has certain operations that are notifiable environmentally hazardous activities. In addition, some companies operate at properties that have some degree of environmental pollution, while certain companies have operated at properties that have become polluted due to historical activities.

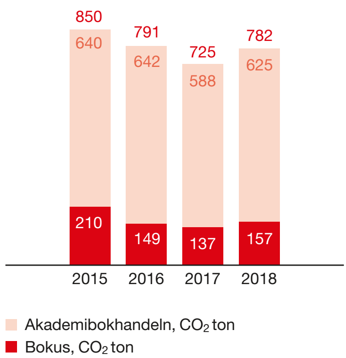
Indicator for environmental issues

Significant fines and non-monetary sanctions for non-compliance with statutory and/or regulatory environmental provisions: *The Volati Group has not received any fines or sanctions related to environmental issues during 2018.*

Environmental work

Sustainability and product safety issues are priority areas at Akademibokhandeln. Efforts to ensure that there are no hazardous materials and substances in the product range, particularly in other products such as pencils and pads, continued during the year. The company is also working actively to reduce carbon dioxide emissions from purchased transport of goods where the company has a downward trend. In national transport, emissions have decreased by 28 percent between 2017 and 2018. By contrast, import emissions have increased and focus will be on reducing these in the coming years.

CO_2 emissions from goods transport, shops and e-commerce



In 2018, Volati supported Hand in Hand's work to fight poverty with entrepreneurship.

Risks and uncertainties

Volati's financial position is dependent on a number of risks, categorised as financial risks and operational risks. Financial risks take the form of financing risk, interest rate risk, credit risk and currency risk, while operational risks are related to effects on the business units' operations, as well as legal and regulatory risks.

Financial risks

The main financial risks are credit risk, liquidity risk, refinancing risk and obligations under credit agreements, interest rate risk and currency risk. More information about these risks can be found under the finance note, note 21.

Macroeconomic factors

The Group's business units operate in a number of different sectors. Volati is dependent on the success of and demand for the products and services produced and provided by the business units, which in turn are dependent on factors such as functionality, price and general market demand. This demand is greatly affected by macroeconomic factors that are outside Volati's control, and demand for the Group's products and services may be considerably lower during an economic downturn. Conditions in the global capital market and the economy as a whole affect the Group's operations, earnings and financial position. Factors such as consumption, corporate investments, inflation and the capital market's volatility and mood affect the business and economic climate. A weakening of these conditions in all or some of the Group's markets could have material adverse effects on the Company's operations, earnings and financial position.

Risks related to acquisitions and transfers of companies

A significant part of Volati's strategy involves growth through acquisitions that either complement or broaden the Group's existing holdings. There is a risk of Volati being unable to identify suitable acquisition targets or make acquisitions on acceptable terms. Corporate acquisitions also involve considerable risks in relation to the acquiree. The target company may, for example, have customer losses, regulatory difficulties or unforeseen expenses following the acquisition. This may require an additional capital contribution from Volati or may result in non-achievement of the expected return. Integration expenses may also prove to be higher than expected or Volati may have paid more than what the acquired object is worth. There is also a risk of expected synergies or efficiencies failing to materialise or not being realised to the expected extent. These scenarios may have a negative effect on Volati's operations, earnings and financial position.

Operational risk

All business activities in the Group's business units are subject to the risk of losses due to inadequate procedures and the risk of irregularities and/or other internal or external events disrupting or damaging operations. Inadequate operational safety and security may have a significant negative effect on the Group's operations, earnings and financial position. Several of Volati's business units are dependent on one or more places of business or distribution and warehouse facilities. If one of these establishments were destroyed or closed for some reason, such as storms, floods, other natural disasters, riots, work blockades and industrial actions, fire, sabotage, acts of terrorism or government interventions, or if items of operating equipment or stock were significantly damaged, the business unit concerned would probably have difficulty in distributing its products or services.

Political risk

Volati has operations in 16 countries, and political and social developments in these countries affect the Group to varying extents. A key component of the Group's business and customer offering is the EU's single market, in other words the common market, with free movement of goods, services, capital and people within the EU. Changes in the functioning of the single market or turbulent political and social conditions in Volati's markets may have a negative effect on Volati's operations, earnings and financial position. Brexit is an example of this. However, the analysis is that this has not significantly increased any risks for our operations so far, but we still do not know how the United Kingdom's withdrawal from the EU will finally take place and affect us.

Disputes
There is a risk of the Group being involved in disputes. The outcome of such potential disputes may lead to significant expenses for Volati, and may have an adverse effect on Volati's reputation and take senior management's focus from other activities. If Volati were to be held responsible in a dispute, this could have a material negative effect on the Company's operations, earnings and financial position.

Regulatory risks

Competition law issues
If the Group acts in contravention of applicable competition regulations, this could result in charges and other sanctions for the parties involved. An example of this could be a business unit being deemed as abusing a position of dominance or participating in illicit anti-competitive cooperation in some context. In the case of acquisitions and divestments, the company itself cooperates with counterparties and their advisors to conduct analyses and report on matters pertaining to competition law and other change-of-ownership issues to competition authorities and other relevant government authorities. If such an analysis is inadequate and/or the competition authorities or some other authority calls into question the transactions, analyses and/or reports, this could result in charges for the parties involved and, in certain cases, the invalidation of implemented transactions.

Tax-related risks
Volati conducts its operations affected in business units located in a number of countries and is impacted by the applicable tax regulations at any time in these countries. These include corporate tax, property tax, value-added tax, regulations on tax-free disposal of shares, other governmental and municipal duties, and interest deductions and subsidies. The Group's tax situation is also affected by whether intra-Group transactions are considered to be priced at market rates.

Amended tax regulations
Tax rules are constantly subject to amendment, and new corporate tax rates and rules on limiting the deductibility of interest have been enacted and come into force on 1 January 2019. The change to the corporate tax rate has a positive effect on the Group, resulting in a better net profit. The Company has not yet completed its final calculation and assessment of the introduction of the new rules on limiting the deductibility of interest. However, this may affect us and our Group contribution rights, although it is not expected to have any material adverse effect on the Group's financial position and earnings. Other changes in the regulatory framework governing corporate tax and other taxes and duties could also affect the conditions for the Group's business, thereby affecting earnings. Such decisions or changes could have a significant effect, potentially retroactively, on the Group's earnings and financial position.

Legislative amendments
Laws, directives and regulations or new interpretations that affect Volati's operations could be introduced from time to time. These could give rise to increased administrative costs for the Group, which could ultimately affect shareholders' return, or require changes to its legal structure, or to change or discontinue a service or product. This in turn could result in the Company and its shareholders facing increased costs or other detrimental consequences, such as a less favourable tax situation or reduced sales revenues. Such risks could have negative consequences for the Group's operations, earnings and financial position.

Political risk
The Group's business is exposed to general political and social risks in its countries of operation. These risks include potential government intervention and regulations, and potential inflation or deflation.

Product liability, product recalls and project liability

Some of the business units manufacture products that could cause personal injury or damage a customer's property if used incorrectly. The business units could thereby be exposed to product liability and requirements for product recall if use of the relevant company's products cause, allegedly cause or are likely to cause injury or material damage. Volati does not have any control of how the products are actually used, and end customers may use them in a way that causes injury or material damage. There is a risk that faults in the Group's products or incorrect use of the products could give rise to product liability. This in turn could result in significant financial obligations and negative publicity, which could have adverse effects on the Company's financial position and earnings. Although Volati is well covered by customary liability and product liability insurance, there is a risk that Volati's insurance cover may be limited due to, for example, monetary thresholds and excess payment requirements.

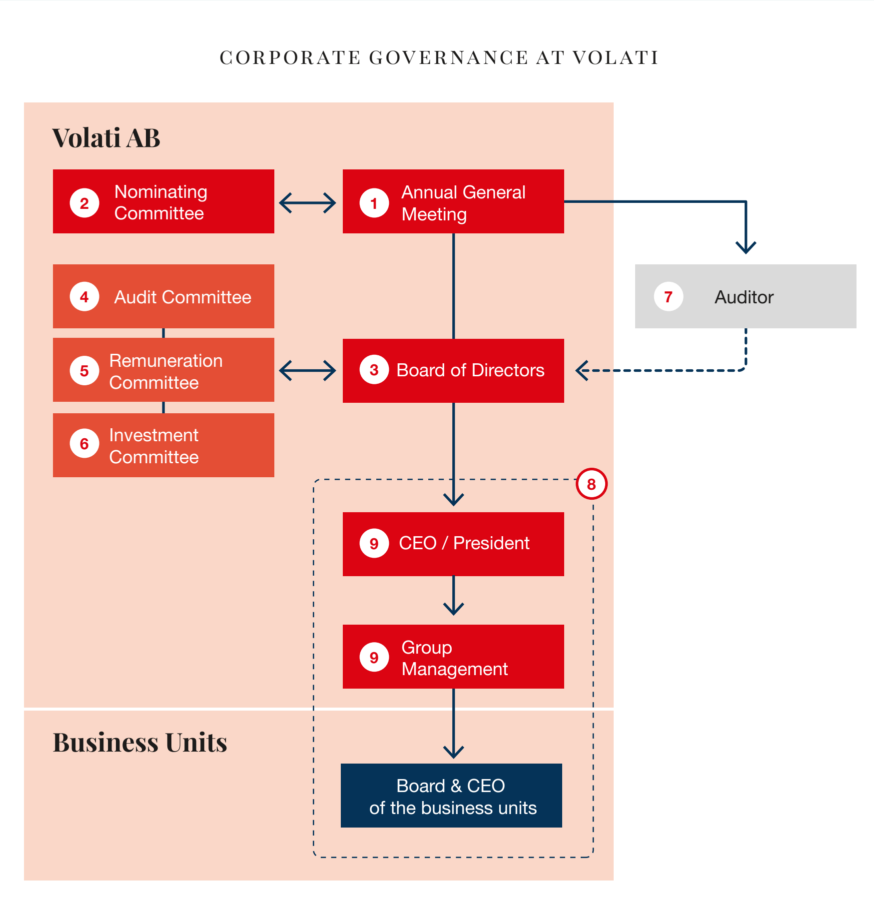
Intellectual property rights

The business units' intellectual property rights comprise registered patents and patent applications, registered trademarks and trademark applications, registered designs and domain names. The Group's operations are not deemed to be directly dependent on any individual intellectual property rights. However, there is a risk that competitors may, in various ways, challenge or circumvent the Group's IP protection, which could adversely affect the Group's or the relevant business unit's operations.

Environmental impact

Through its subsidiaries, Volati has certain operations that are environmentally hazardous and notifiable. In addition, some companies operate at properties that have some degree of environmental pollution, while certain companies have operated at properties that have become polluted due to historical activities.

Corporate Governance Report



Volati AB is a public limited liability company whose ordinary and preference shares are listed on Nasdaq Stockholm. Governance and control of Volati are exercised by shareholders at general meetings and otherwise by the Board, the CEO and other members of management. Governance and control are based on the Swedish Companies Act, the Articles of Association, Nasdaq's Rules, the Swedish Corporate Governance Code ("the Code") and internal rules and regulations. Volati believes that they have followed the Code throughout the year without any derogation. The Company's auditors have conducted a statutory review of the corporate governance report.

① General Meeting

The general meeting is Volati's highest decision-making body and it is by participating in general meetings that shareholders exercise their influence. The annual general meeting is held within six months of the end of the financial year. The financial statements are adopted at the AGM and resolutions are passed on matters that include appropriation of the Company's profit, Board and auditor elections, remuneration of Board members and auditors, and other statutory business to be dealt with at the AGM. Notice of the AGM and any extraordinary general meetings must be given in accordance with the Articles of Association. Shareholders who wish to have business dealt with at the AGM must submit a written request to bolagsstamma@volati.se or to Volati AB (publ), attn: CFO, Engelbrektsplan 1, SE-114 34 Stockholm, Sweden. To guarantee inclusion in the notice of the Annual General Meeting, the request must have been received no later than seven weeks prior to the AGM. Further information on how and when to provide notification of attendance will be published in advance of the Meeting.

Volati's ordinary shares entitle holders to one vote per share, while preference shares carry entitlement to one-tenth of a vote per share. Dividends on preference shares are regulated in the Articles of Association and have priority over ordinary shares. Preference shares represented 2.0 percent of Volati's share capital at the end of the year. As preference shares carry entitlement to one-tenth of a vote, this means that the share of votes in Volati from preference shares corresponds to 0.2 percent.

2018 Annual General Meeting

At the Annual General Meeting on 16 May 2018 at Nalen in Stockholm, 72,567,495 ordinary shares and 69,506 preference shares were represented, totalling 72,574,445.6 votes, which corresponds to 88.57 percent of the total number of shares, and 90.08 percent of the total number of votes in the Company. Minutes are available at www.volati.se/sv/om-volati/bolagsstyrning. The AGM was held in Swedish. All members of the Board except for one and the Group's chief auditor were present at the Meeting.

Resolutions passed at the AGM included elections of the Board and auditors and a dividend of SEK 0.50 per ordinary share, corresponding to a total of SEK 40,203,285.50. The AGM also adopted a dividend of SEK 40.00 per preference share, corresponding to a total of SEK 64,150,960, to be paid quarterly at SEK 10.00 per share. The AGM authorised the Board of Directors to decide on acquisitions of ordinary shares, and acquisitions, transfers and new issue of the Company's own preference shares in accordance with the Board's proposal. Under this mandate, the Board may, on one or more occasions during the period until the next AGM, decide on the acquisition of ordinary shares or aquisition, transfer or new issue of the Company's own preference shares. The acquisition may take place on Nasdaq Stockholm or in accordance with an offer to all preference shareholders to acquire a number of preference shares that results in the Company's holding of own shares amounting to no more than one-tenth of all shares in the Company. The authorisation therefore meant that the Board could decide to acquire one-tenth of ordinary shares or all preference shares in the Company. The purpose of the aquisition, transfer or new issue of own shares is to enable an optimised capital structure and to allow the Company to use its own preference shares as payment for or financing of acquisitions of companies or operations.

2019 Annual General Meeting

Volati's next Annual General Meeting will be held at 17.00 on Thursday, 25 April 2019 at Finlandshuset in Stockholm.

② Nomination Committee

The AGM decides on the process for the election of the Board and auditors. The 2016 AGM adopted instructions, which apply indefinitely, for the establishment of a nomination committee. These instructions require the Nomination Committee to have a minimum of three members, of whom one is the Chairman of the Board. The other members are appointed as as follows: the Chairman, no later than six months before the AGM, offers each of the two largest shareholders – based on Euroclear Sweden AB's list of registered shareholders on the last banking day of

September of the current year – the opportunity to appoint a representative to serve on the Nomination Committee.

The Chairman of the Nomination Committee is the member representing the largest shareholder by votes, unless the members agree otherwise. However, the Chairman of the Board may not serve as Chairman of the Nomination Committee. At least one member of the Nomination Committee must be independent of the largest shareholder of the Company in terms of votes or group of shareholders that collaborates on the Company's management. Changes in the composition of the Nomination Committee may occur due to shareholders who have appointed a member to the Committee selling all or part of their shareholdings in the Company.

The composition of the Nomination Committee must be announced no later than six months prior to the AGM. The Nomination Committee's mandate period extends until a new nomination committee has been appointed. The names of representatives on the Nomination Committee and the shareholders they represent must be published as soon as they are appointed. The Nomination Committee's proposals are published no later than the date of the notice of the AGM. Shareholders are given the opportunity to submit nomination proposals to the nomination committee.

The Nomination Committee for the 2018 Annual General Meeting consisted of three members. Carin Wahlén, representing Patrik Wahlén, led the Nomination Committee's work. In the nomination work prior to the 2018 AGM, the Nomination Committee assessed both the composition and size of the current Board, and the Volati Group's operations. Special emphasis was placed on Volati's strategies and objectives, and what the Group's future direction is expected to mean for the Board. As a diversity policy, the Nomination Committee has applied point 4.1 of the Code, taking into account that the Board must have an appropriate composition, characterised by diversity and breadth with regard to Board members' skills, experience and background, that is appropriate to Volati's operations, stage of development and other circumstances. The Nomination Committee also worked on the goal of achieving a balanced gender distribution on the Board. The Nomination Committee recommended that Karl Perlhagen, Patrik Wahlén, Björn Garat, Louise Nicolin and Christina Tillman be re-elected to the Board and that Anna-Karin Celsing and Magnus Sundström be elected as new members of the Board for the period up to the end of the next AGM. The Committee also recommended that Patrik Wahlén be re-elected as Chairman for the same period. After the election at the 2018 AGM, three of the seven meeting-elected Board members are women (the CEO is not included in the total number of Board members). A report on the work of the Nomination Committee was submitted in the Nomination Committee's explanatory statement which was published prior to the 2018 AGM.

Nomination Committee for the 2019 AGM

On 26 October 2018, the Company published the composition of the Nomination Committee for the 2019 AGM: Carin Wahlén (chair) representing Patrik Wahlén, Jannis Kitsakis representing Fjärde AP-fonden, and Karl Perlhagen representing himself.

Shareholders wishing to submit proposals to the Nomination Committee can do so at the Company's address or by e-mail to bolagsstamma@volati.se.

The AGM decides on the following:

- Adoption of the Annual Report.
- Dividend.
- Election of Board members and, if applicable, auditors.
- Remuneration of the Board and auditors.
- Guidelines for remuneration of Group management.
- Other important business.

The Nomination Committee's tasks include submitting recommendations to the next AGM concerning:

- Chairman of the Meeting.
- Board members including number of members.
- Chairman of the Board.
- Fees to Board members.
- Other remuneration for Board tasks and any committee work.
- Election of auditors, if applicable, and auditor's fees.
- Changes to the Nomination Committee's instructions, as required.

③ Board of Directors

According to the Articles of Association, the Board of Directors of Volati shall consist of a minimum of three and a maximum of ten ordinary members. The Articles of Association do not contain any provisions on the appointment or dismissal of Board members or amending the Articles of Association.

The Board and the Board's work

The Board's overall task is to manage the Company's affairs and be responsible for its organisation on behalf of shareholders. The Board's work is led by its Chairman. The Board holds an annual statutory meeting following the AGM. In addition to this, the Board is required to meet at least five times annually. At the statutory Board meeting, the Chairman of the Board is appointed, the Company's signatories are appointed, and the Board's formal work plan, instructions for the CEO and the Board's instructions on reporting to the Board (referred to as the reporting instruction) are reviewed and adopted. The Company's Board meetings deal with business such as the Company's financial situation, acquisition-related matters, evaluation of the business units and other relevant issues concerning Group companies. The Company's auditor attends and reports at the Board meetings at least once a year and more often when necessary. A quorum of the Board is attained when more than half of the members are present. At present, Volati's Board consists of seven members. Nine Volati Board meetings were held in 2018 and Board members' attendance is presented in the table below.

The Board has decided to perform an annual evaluation of the Board's work, whereby Board members are able to give their views on forms of work, Board materials, their own and other members' input, and the scope of the assignment. According to the evaluation, the work of the Board is considered to be functioning very well. All Board members are seen to be contributing constructively to strategic discussions and governance, and the discussions are viewed as open and dynamic. Dialogue between the Board and management is also considered to be very good.

Composition of the Board

Name	Position	Elected	Independent of the Company	Independent of major shareholders	Total fee (SEK million)	Meeting attendance in 2018
Patrik Wahlén	Chairman	2006	No	No	0.4	9/9
Karl Perlhagen	Member	2003	No	No	0.2	8/9
Björn Garat	Member	2015	Yes	Yes	0.2	9/9
Louise Nicolin	Member	2016	Yes	Yes	0.2	9/9
Christina Tillman	Member	2016	Yes	Yes	0.2	9/9
Anna-Karin Celsing	Member	2018	Yes	Yes	0.2	6/6[1)]
Magnus Sundström	Member	2018	Yes	Yes	0.2	6/6[1)]

[1)] Elected at 2018 AGM; attendance is from election.

Board of Directors

From left:
Anna-Karin Celsing , Karl Perlhagen, Christina Tillman, Björn Garat, Patrik Wahlén, Louise Nicolin and Magnus Sundström.

Board of Directors

1. Patrik Wahlén

Chairman of the Board since 2018, Board member 2005-2017. Born 1969.

Education: Business and Economics studies at Lund University.

Other assignments: Deputy Board member of Italo Invest AB (and subsidiaries of Italo Invest AB) and Wahlén & Partner AB.

Assignments concluded during the last five years: Deputy Board member of Fastighets AB Italo.

Background: Patrik founded Volati in 2003 together with Karl Perlhagen. He has previously worked for Kemira Group and Ernst & Young Management Consulting AB.

Shareholding in the Company: 19,356,283 ordinary shares.

2. Karl Perlhagen

Chairman of the Board 2005-2017, Board member since 2018. Born 1970.

Education: Business and Economics studies at Lund University.

Other assignments: Chairman of the Board of Fridhems Intressenter Gladan AB, Fridhem Fastighetsutveckling Stockholm AB and Fridhem Grönskogen AB, Board member of Italo Invest AB (and assignments in subsidiaries of Italo Invest AB) and Ullna Golf Aktiebolag.

Assignments concluded during the last five years: Board member of Corem Property Group AB, PharmaSurgics in Sweden AB, Fastighets AB Italo and Imed AB.

Background: Karl founded Volati in 2003 together with Patrik Wahlén, having previously founded Cross Pharma AB.

Shareholding in the Company: 34,440,000 ordinary shares and 216,190 preference shares (through companies).

3. Björn Garat

Board member since 2015. Born 1975.

Education: B.Sc., International Economics, Linköping University.

Other assignments: CFO and Deputy CEO at AB Sagax (and assignments in subsidiaries of AB Sagax), Board member of Manolo Holding AB and Paco Holding AB, and deputy Board member of LMG Distribution Aktiebolag.

Assignments concluded during the last five years: Board member of Söderport Göta AB and deputy Board member of Bastian Holding AB and TEMG Holding AB.

Background: Partner and Head of Corporate Finance at Remium Nordic AB and financial analyst. CFO and Deputy CEO at AB Sagax since 2012.

Shareholding in the Company: 30,000 ordinary shares (via pension insurance).

4. Louise Nicolin

Board member since 2016. Born 1973.

Education: M.Sc. Engineering, Uppsala University, eMBA, Stockholm University, and International Directors Programme at INSEAD.

Other assignments: Chair of AB Better Business World Wide, Board member of VBG Group AB (publ), Dellner Couplers Aktiebolag. Enzymatica AB (publ), Simris Alg AB (publ) and Uppdragshuset Sverige AB and deputy Board member of Arts
for a reason AB.

Assignments concluded during the last five years: Board member of Dellner Tools AB and My Reed AB.

Background: Since 2011, Louise has run Nicolin Consulting AB, focusing on business development and quality assurance. Previously worked as Business Unit Manager and Consultant Manager at PlantVision AB.

Shareholding in the Company: 16,642 ordinary shares (including family).

5. Christina Tillman

Board member since 2016. Born 1968.

Education: B.Sc. in Business and Economics, Stockholm University.

Other assignments: Board member of Corem Property Group AB (publ), Corem Logistik Holding AB, House of Dagmar AB, Kavat, Eleven/Nordic Feel, and deputy board member of Kattvik Financial Services Aktiebolag och Stocksunds Fastighets AB.

Assignments concluded during the last five years: CEO Happy Plugs AB. Chair of PFG Group AB (and subsidiaries of PFG Group AB), board member of Coop Sverige AB, Tobin Properties AB, Boozt AB (and subsidiaries to Boozt AB), G13 IT-utveckling i Stockholm AB, Wonderful Times Group AB and YPO Service AB, CEO for Odd Molly International AB, Gudrun Sjödén Group AB (and subsidiaries of Gudrun Sjödén Group AB), CEO and deputy board member of Vincent Shoe Store Sweden AB and deputy Board member of Nordic Kids Shoes AB, Stocksunds Financial Management AB and Association of Swedish Fashion Brands economic association.

Background: Christina's previous roles include CEO of Odd Molly and CEO of Gudrun Sjödén Design.

Shareholding in the Company: 6,000 ordinary shares.

6. Anna-Karin Celsing

Board member since 2018. Born 1962.

Education: MBA, Stockholm School of Economics.

Other assignments: Chair of Sveriges Television AB, Board member of Landshypotek Bank AB, Lannebo Fonder AB, OX2 Group and Serneke AB.

Background: Head of Investor Relations at Swedbank, Head of Communications at Ratos AB, Director of Swedish Financial Supervisory Authority. Various advisory roles and directorships within strategy, finance and corporate governance.

Shareholding in the Company: 700 preference shares.

7. Magnus Sundström

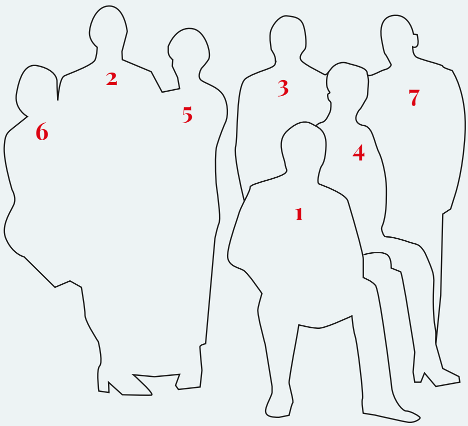
Board member since 2018. Born 1954.

Education: M.Sc., Industrial Economics, Linköping University.

Other assignments: CEO and owner of 1909 Gruppen AB and joint owner (50%) of B2B IT-Partner AB.

Background: Board member and Chairman of Tricorona AB.

Shareholding in the Company: 290,758 ordinary shares and 44,940 preference shares through associated company.



Management Group

From left:
Karin Rosenthal, Håkan Karlström,
Nicklas Margård, Mattias Björk,
Maria Edsman, Mårten Andersson
and Johan Ekström.

Management Group

1. Mårten Andersson

CEO since 2014. Born 1971.

Education: B.Sc. in Business and Economics, Lund University and General Manager Program at Harvard Business School.

Other assignments: –

Background: Mårten previously served as CEO of Försäkringsbolaget Skandia and has held a number of international positions at Skandia.

Shareholding in the Company: 2,511,532 ordinary shares and 1,887 preference shares.

2. Karin Rosenthal

Finance Manager since 2017. Born 1978.

Education: Bachelor's degree, Stockholm University.

Other assignments: –

Background: Karin has previously worked at Klarna Bank AB and Fabege AB, among others.

Shareholding in the Company: 2,000 ordinary shares.

3. Mattias Björk

CFO since 2009. Born 1975.

Education: LLB and B.Sc. in Business and Economics, Lund University.

Other assignments: Deputy Board member of VQ Legal AB, Virtual Intelligence VQ AB, VQ Systems AB and Ridderwold Bygg & Design AB.

Background: Mattias previously worked at Modern Times Group MTG AB, Investment AB Kinnevik and Invik & Co AB.

Shareholding in the Company: 2,198,805 ordinary shares.

4. Håkan Karlström

Head of Business Area Trading since 2018. Born 1958.

Education: Business and Economics studies at Lund University.

Other assignments: –

Background: Since 1996, has worked as CFO in the business area's subsidiaries and for the Group, including Board member in former holding company during this period. Since 2015, CFO of Volati Handel. Before 1996, auditor at E&Y and various financial management positions in Swedish industry and trade.

Shareholding in the Company: 8,000 ordinary shares, and purchase option for 20,000 shares, 460 preference shares.

5. Nicklas Margård

Head of Business Area Industry since 2017. Born 1969.

Education: Studied Economics at Lund University. MBA Studies at Concordia University, Montreal, Canada.

Other assignments: Board member of Micvac AB.

Background: Nicklas has worked as CEO of Besikta Bilprovning since 2014 and has served on the Board of Tornum since 2005. Nicklas previously worked as CEO of John Bean Technologies AB and was also responsible for Asia at JBT FoodTech.

Shareholding in the Company: 115,000 ordinary shares, and purchase option for 200,000 ordinary shares.

6. Maria Edsman

Head of Business Area Akademibokhandeln since 2018. Born 1968.

Education: M.Sc. in Business Administration, Stockholm School of Economics and studies at University of Chicago Business School

Other assignments: Board member of Rusta AB.

Background: Maria was previously Retail Director at Akademibokhandeln, CEO of Polarn O. Pyret and CEO of Brothers & Sisters.

Shareholding in the Company: 0.75% of the shares in Akademibokhandeln.

7. Johan Ekström

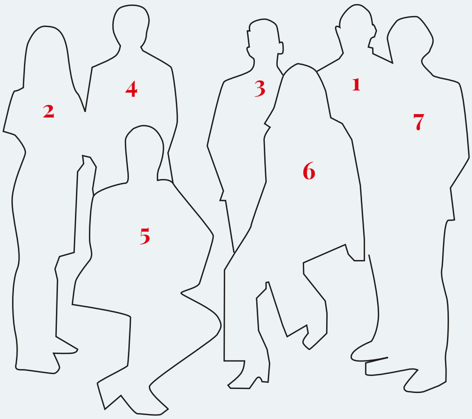
Head of Business Area Consumer since 2018. Born 1970.

Education: Ph.D. in Business (M&A strategies), Lund University.

Other assignments: –

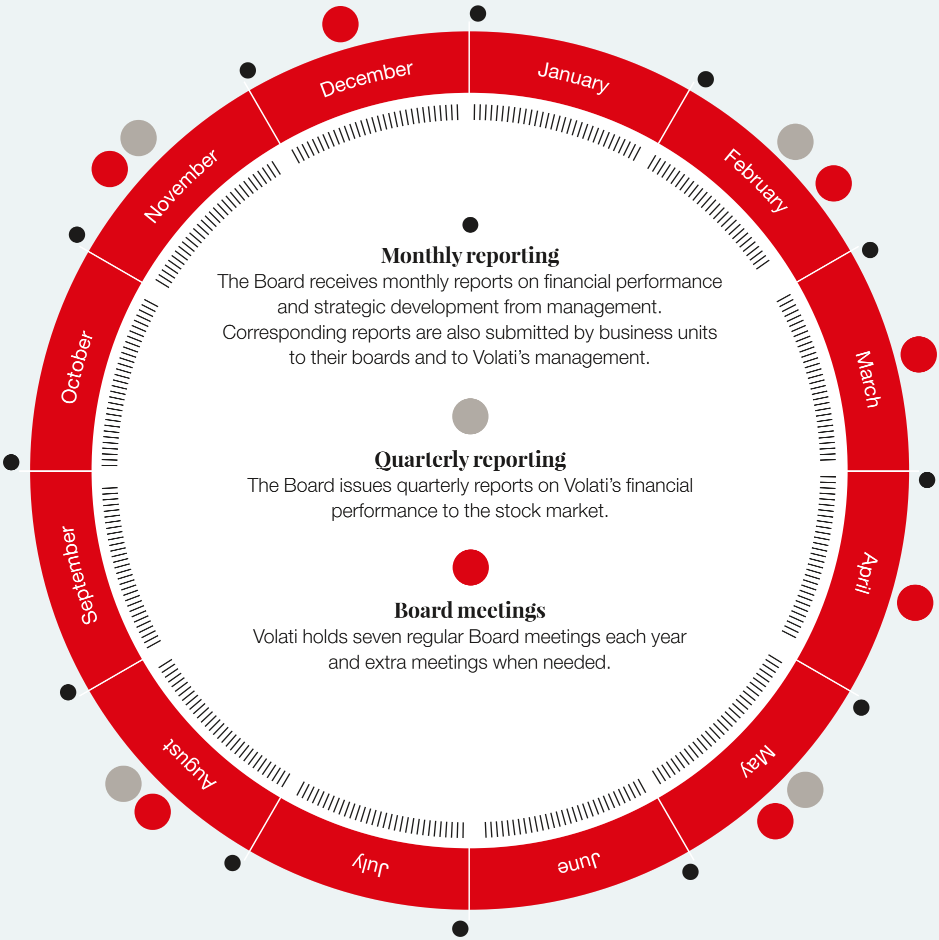
Background: Previously Operational Manager at Volati in 2017. Johan was a Business Area Manager at Skandia and a Board member of Skandia Investment Management. Johan has also held various roles as a Partner/ Senior Executive at Accenture, and served as a researcher and lecturer at the School of Economics and Management at Lund University.

Shareholding in the Company: 18,393 ordinary shares and 1,973 preference shares.



Clear and methodical follow-up

Volati has an annual calendar scheduling selected topics for discussion by the Board at each Board meeting. Correspondingly, Volati's management has an annual calendar with Board meetings for each business unit.



Monthly reporting
The Board receives monthly reports on financial performance and strategic development from management. Corresponding reports are also submitted by business units to their boards and to Volati's management.

Quarterly reporting
The Board issues quarterly reports on Volati's financial performance to the stock market.

Board meetings
Volati holds seven regular Board meetings each year and extra meetings when needed.

4 *Audit Committee*

The Board has decided not to establish a separate audit committee; instead, the full Board will carry out the tasks that such a committee would have under the Code. These obligations mainly include the following tasks:

- Monitoring the Company's financial reporting and making recommendations and proposals to ensure the reliability of the reporting.
- Monitoring the efficiency of the Company's internal control and risk management in the area of financial reporting.
- Staying informed about the audit of the annual accounts and consolidated accounts.
- Addressing how the audit contributed to the reliability of financial reporting and what was the Board's specific function.
- Examining and monitoring the auditor's impartiality and independence and in doing so, noting in particular whether the auditor provides the Company with services other than audit services and the quality control by the Inspection Board of Public Accountants (Revisionsinspektionen).
- Assisting in the preparation of proposals for resolution on the appointment of auditors at general meetings.
- Preparing the Board's decisions in the above matters.

5 *Remuneration Committee*

The Board has decided not to establish a remuneration committee, as the Board considers it more appropriate for the full Board to carry out the tasks incumbent on a remuneration committee in accordance with the Code.

In terms of remuneration matters, this means that the Board will:

- prepare decisions on matters concerning guidelines for remuneration and other terms of employment for senior executives;
- monitor and evaluate ongoing programmes and programmes concluded during the year for variable remuneration of senior executives; and
- monitor and evaluate the outcome of variable remuneration and the Company's application of the guidelines for remuneration of senior executives as adopted by the general meeting.

6 *Investment Committee*

The Board has established an Investment Committee. The Investment Committee consists of Chairman of the Board Patrik Wahlén (Chairman), Board member Karl Perlhagen, CEO Mårten Andersson and CFO Mattias Björk. The Investment Committee's primary task is to examine and ensure the quality of decision-support material for acquisitions and divestments. In addition, the Committee has been given an investment and divestment mandate authorising it to make decisions on the acquisition and divestment of shares or operations of up to SEK 100 million per acquisition or divestment for the Group as a whole.

The Board appoints the members and Chairman of the Investment Committee, which must consist of a minimum of three and maximum of five members. The Investment Committee meets as necessary, and minutes of the meeting are kept. The minutes are included in the material for the next Board meeting.

7 *Audit*

An auditor is appointed annually by the AGM. The auditor's tasks are, on behalf of the shareholders, to audit Volati's annual accounts and consolidated accounts, and to examine the corporate governance report and administration of the Board of Directors and CEO. The audit process and audit report are presented at the AGM. At the 2018 AGM, Ernst & Young Aktiebolag (EY) was elected as the auditing firm until the next AGM. EY has appointed Rickard Andersson as chief auditor. Auditor's fees are paid in accordance with a separate agreement made in accordance with the AGM's decision. In 2018, the Parent Company's audit fees from EY amounted to SEK 0.9 million, while the Group's audit fees were SEK 4.9 million, and other assignments were SEK 0.2 million. Fees to auditors other than EY were SEK 1.1 million.

8 *Volati's operational model*

Volati's operational model is based on decentralised governance of the business units, which means that daily decision-making takes place in the operations, with limited involvement by Group management. The Group's strategy and governance model are based on the vision of being the best owner of medium-sized companies. This will be achieved by preserving the companies' independence while the Group creates long-term conditions and support for change. This is mainly accomplished through six areas: decentralised leadership, corporate governance, strategic capital allocation, strategic HR, expertise and business tools, and support related to acquisitions. Volati has a flexible organisation which facilitates fast decision-making. A decentralised governance model creates a high level of entrepreneurship in the business units, provides a clear responsibility framework and helps to ensure that Volati can continue to grow with limited central resources. Volati believes that decentralised leadership is a key success factor for a scalable business model with several business units operating in different sectors. A strong focus on local entrepreneurship creates the right conditions for effective and informed decisions. In order to secure value creation throughout Volati, a vision and a long-term strategy are developed for each business unit. The long-term strategy is given concrete form through action plans and clear financial targets that are continuously monitored. The financial targets for each business unit are focused on value creation and include growth, EBITDA margin, cash conversion and return on capital employed.

Decentralised leadership involves great responsibility and confidence in the business units' management, both in terms of delivering results and upholding Volati's values. Achievement of goals is ensured by creating clear incentives, such as part ownership, and facilitating career development for the Group's employees.

Corporate governance at Volati

To create conditions for value creation in a decentralised business model, Volati focuses on maintaining a high level of professional corporate governance within the Group.

Group management governs, controls and monitors the Group's operations. This is primarily done by appointing business area managers, and CEOs and boards for several of the business units, and also by continuously monitoring developments as part of normal Board work and monthly reporting from the business units. The Boards of the business units comprise one or more individuals from Group management, including the business area manager and, where applicable, external Board members. The business area manager is the chairman of the business unit's Board.

The Board meets in accordance with a carefully planned schedule aimed at maximising the business unit's long-term potential and maintaining profitability, even in a short-term perspective. Four annual Board meetings that deal with various matters are combined with monthly reports to follow up strategic and financial targets.

In addition to a well-established calendar of Board meetings, Volati has introduced a structured model for following up results which permeates the entire Group and each business unit. Monthly Board reports and meetings are complemented by informal contacts between Group and business unit management on a daily basis, continuous risk assessment of the business unit, and annual assessments of profitability, market outlook and long-term strategy. Group management and the business area manager hold monthly status meetings with each business unit's CEO and CFO to follow up on the business unit's financial development and strategic initiatives.

9 *CEO and Management Group*

Volati's CEO is responsible for the Company's day-to-day management in accordance with the rules of the Swedish Companies Act, and the instructions for the CEO and the reporting instruction established by the Board. The CEO's responsibilities include acquisitions and divestments, human resources, financial and accounting matters, and regular contact with the Group's stakeholders and the financial market. In addition, the CEO prepares delegation regulations for the Group's senior executives, and also employs and dismisses senior executives and establishes their terms and conditions (within the scope of the guidelines adopted by the AGM).

The CEO reports to the Company's Board and implements the Board's decisions. The CEO ensures that the Board, in accordance with the current reporting instruction, receives the information it needs in order to make informed decisions. The CEO also ensures that the Board is presented with matters that are required to be addressed by the Board under applicable legislation, the Articles of Association and internal policies and guidelines. The CEO attends and reports at all Board meetings, apart from occasions when the CEO is under evaluation by the Board and when the Board meets the Company's auditor without the presence of members of Company management.

The CEO has appointed a Group management that has day-to-day responsibility for different operations. In addition to the CEO, Group management consists of Volati's CFO, Finance Manager and the Heads of Business Areas. Group management meets regularly to manage and monitor current projects, Group-wide development issues and organisational matters.

Guidelines and principles for remuneration of senior executives

The 2017 AGM adopted guidelines for the remuneration of individuals who were senior executives at the date of the AGM. The guidelines apply to employment contracts signed after the AGM's adoption of the guidelines and to changes in existing employment contracts that are signed thereafter.

The basic principle is that management's remuneration and other employment terms and conditions must be competitive in order to ensure that the Volati Group is able to attract and retain competent senior executives. Management's fixed remuneration must be competitive and based on the individual's experience, area of responsibility and performance. Other forms of remuneration and benefits, such as pension benefits, company car and health insurance, must be market-based. Pay during the notice period may total a maximum of 12 months' salary. No termination benefits shall apply. Senior executives may receive variable remuneration in addition to fixed remuneration. Variable remuneration must be connected to pre-defined targets and measurable criteria, and be designed to promote the Company's long-term value creation. Variable remuneration paid in cash may not exceed 50 percent of the annual fixed remuneration.

The AGM may decide that variable remuneration will take the form of share-based payment in both the Company and its subsidiaries. In addition to promoting long-term value creation, share-based payment must be designed to achieve an increased community of interests between senior executives and the Company's shareholders.

The Board is entitled to deviate from the above guidelines if this is justified by special circumstances in individual cases. Any such deviations from the guidelines must be reported at the next AGM.

The Board's proposals for new guidelines on remuneration of Group management

No significant changes to the guidelines for remuneration and other conditions of employment for Group management are being recommended to the 2019 AGM.

Internal control and risks

In accordance with the Swedish Companies Act, the Board is responsible for the internal control and governance of the Company. In order to maintain and develop a functioning control environment, the Board has adopted a number of fundamental documents of key importance to financial reporting. These include the Board's formal work plan, the instructions for the CEO and the reporting instruction. In addition, a functioning control environment requires an established structure with continuous supervision. The main responsibility for day-to-day maintenance of the control environment lies with the Company's CEO. The CEO reports to the Company's Board on a regular basis. This is done in accordance with the current reporting instruction and the procedures set out below.

Volati applies the definition of risk as "a future event that threatens the Company's ability to achieve its vision, business concept, objectives and strategy". Volati and the business units each conduct an annual overall risk assessment aimed at identifying, evaluating and managing risks that threaten the Group's vision, business concept, objectives and strategy. The management groups conduct the risk assessment within the following categories: strategic risks, operational risks, compliance risks and financial risks.

Identified risks are then analysed based on the following three criteria:

1. Impact on the business concept, vision and objectives. The rating scale is from "low" to "very serious."
2. Probability that the risk will occur within the planning period. The rating scale is from "unlikely" to "likely."
3. The efficiency of existing control activities is qualitatively evaluated in accordance with separate instructions.

The risks are documented in a uniform format. Each year, the business unit's management presents an updated risk analysis to its Board and the Company's Group management. Based on the business units' reporting, the CEO identifies the risks affecting the Group's business concept, vision and objectives. The CEO presents an updated risk analysis to the Company's Board annually. Significant changes in the risk situation or major risk exposures are reported to each Board concerned. An action plan for top priority risks is also presented to the relevant business unit's Board, and the Company's Group management and Board.

To ensure a relevant level of control, the Company's Group management and each business unit establish a number of control activities to counteract the most significant risks identified in the risk analysis. These control activities serve as a basis for determining the minimum level of control that must be established and functioning within the Group and the relevant business unit.

The Group and business unit keep a list of identified risks and the control activities that must be established in order to counteract the risks, together with a description of how the control activities are monitored efficiently.

A self-assessment of minimum requirements is conducted annually and reported to the Board of each business unit. The CEO of each business unit is responsible for the self-assessment process. The CEO compiles an annual summary of the main conclusions from the business units' self-assessments for the Company's Board.

Volati has not appointed an internal audit function, as this is not considered necessary for maintaining internal control. The corresponding tasks will be conducted instead by management, the boards and external auditors.

Process for financial reporting

Volati has a Group-wide reporting system, Ocra, for all business units. The business units also have separate accounting systems that are customised to their particular operations. Each business unit reports on a monthly basis via Ocra.

1 Reporting from the business units

Volati has a fixed schedule for financial reporting, with all companies submitting a complete monthly report package comprising an income statement, balance sheet, cash flow, specific notes, employment matters and investments. In addition, qualitative comments from each business unit or business area are also submitted. The reporting is implemented based on the relevance for each business unit or business area, with the aim of allowing for efficient monitoring and analysis. The report package complies with laws, regulations and accounting practice. Volati works continuously to provide training for the business units and further develop the reporting process, in order to streamline the processes and improve data for the analysis of operations in a cost-efficient way.

2 Qualitative comments from the business units

Each unit submits monthly qualitative comments on developments in the last month in the areas of financial performance and specific strategic initiatives. The reports are submitted to Volati's management and to each business unit's Board. Group management and the business area manager hold monthly status meetings with each business unit's CEO and CFO to follow up on the business unit's financial development and strategic initiatives.

3 Reconciliation

When Volati has received the reports, a reconciliation process is conducted to ensure that the reporting was done correctly and implemented in a technically correct way. Volati's consolidated financial statements also undergo reconciliation.

4 Analysis
Volati's management analyses the reporting based on the available knowledge about each business unit and, together with the business area manager, holds monthly status meetings with each business unit's CEO and CFO to follow up on the business unit's financial development and strategic initiatives.

5 Consolidation
Any deviations identified in the compilation of legal and operational monitoring or the analysis and reconciliation process are rectified following dialogue with the business unit. The consolidation process comprises among others the reconciliation of equity, intra-Group transactions, tax, investments and cash flow.

6 Reporting to the Board
Volati's management submits monthly reports to the Board on the Group's financial performance, information about the Group's development, the financial position, ongoing projects and certain specific key figures. The Board continuously monitors financial performance against Volati's financial targets. The Board receives more comprehensive material prior to each regular Board meeting, which may contain additional in-depth data about issues relevant to the theme of the meeting.

7 External reporting (quarterly)
Volati publishes quarterly reports and press releases. The Annual Report is printed and sent to all major shareholders, employees, subscribers and other stakeholders, as well as to potential acquisition targets and business partners. Previous financial reports are available on the Company's website.

The company is subject to the provisions of the EU Market Abuse Regulation No. 596/2014 (MAR) which places great demands on how the Company handles inside information. MAR regulates, among other things, how inside information shall be disclosed to the market, the conditions under which the disclosure may be postponed and the way the company is obliged to keep a list of people who work for the company and who had access to inside information (a so-called logbook).

Volati uses the digital tool InsiderLog to ensure that its handling of inside information meets the requirements of MAR and the Company's insider policy; from the decision to postpone disclosure of inside information all the way to the notice to be provided to the Swedish Financial Supervisory Authority when the insider event is over and the information is published. Only authorized persons in the Company have access to InsiderLog.

8 Audit
E&Y is the auditor for the Parent Company and Group as a whole. Although the business units have E&Y as their local auditor, there are a few exceptions for some of the business units' minor subsidiaries that are newly acquired or based outside Sweden. In the autumn, the auditor conducts a review of internal control and management, which is reported to the business units and Volati's management. For the year-end report, an audit is performed in December and the auditors are present for physical inventory counts. Meetings are also held with Volati's accounting function to discuss accounting estimates and other relevant issues during the audit of the year-end report. The auditor submits significant auditors' notes to the Board of Directors and the auditor attends Board meetings as required. The audit reporting process includes a traffic-light system whereby the observations are graded by risk, materiality and control. Each business unit draws up an action plan to ensure that the auditors' notes are addressed. During the next review of internal control and management, the auditor checks that actions have been taken.

Consolidated Income Statement

SEK million	Note	2018	2017
Operating income			
Net sales	3	6,084	4,356
Operating expenses			
Raw materials and supplies		–3,375	–2,228
Other external costs	7	–853	–684
Personnel expenses	6	–1,318	–983
Other operating income	2	18	7
Other operating expenses	2	–4	–9
EBITDA		**552**	**459**
Depreciation/amortisation excluding aquired surplus values		–119	–82
EBITA		**433**	**377**
Acquisition-related amortisation		–49	–31
Goodwill impairment		–18	–
Operating profit/loss		**366**	**345**
Finance income and costs			
Finance income	8	29	8
Finance costs	8	–80	–49
Profit before tax		**316**	**305**
Tax	9	–42	–63
Net profit		**274**	**241**
Profit for the year attributable to:			
Owners of the Parent		272	240
Non-controlling interests		2	1
Earnings per ordinary share, SEK	10	2.58	2.19
Diluted earnings per ordinary share, SEK	10	2.58	2.17

Consolidated Statement of Comprehensive Income

SEK million	Note	2018	2017
Net profit		274	241
Other comprehensive income			
Items that will not be reclassified to profit or loss			
Remeasurement of net pension obligations		–	0
Deferred tax on remeasured net pension obligations		–	0
Total		–	0
Items that may be reclassified subsequently to profit or loss			
Translation differences for the year	21	19	–19
Total		19	–19
Other comprehensive income for the year		19	–20
Total comprehensive income for the year		**293**	**222**
Total comprehensive income attributable to:			
Owners of the Parent		290	221
Non-controlling interests		2	1

Consolidated Statement of Financial Position

SEK million	Note	31/12/2018	31/12/2017
ASSETS			
Non-current assets			
Intangible assets	11	3,126	2,934
Property, plant & equipment	12	404	241
Other non-current financial assets	13	2	4
Other shares and interests	13	5	6
Deferred tax assets	9	59	59
Total non-current assets		**3,597**	**3,243**
Current assets			
Inventories	14	895	610
Trade receivables	21	558	455
Current tax receivables		27	58
Other current receivables		67	48
Derivatives		0	0
Prepayments and accrued income	15, 18	186	154
Cash and cash equivalents	21	241	438
Total current assets		**1,975**	**1,763**
Total assets		**5,571**	**5,006**
EQUITY AND LIABILITIES			
Equity	1		
Share capital		10	10
Other paid-in capital		1,995	1,995
Other reserves		34	16
Retained earnings, including net profit		520	331
Equity attributable to owners of the Parent		2,560	2,352
Non-controlling interests		7	13
Total equity		**2,567**	**2,365**
Liabilities			
Non-current interest-bearing liabilities	16, 21	974	984
Non-current non-interest-bearing liabilities	21	89	98
Pension obligations		2	2
Warranties and other provisions	18, 19	10	6
Deferred tax	9	287	268
Total non-current liabilities		**1,361**	**1,358**
Current interest-bearing liabilities	16, 21	241	106
Advances from customers	18	73	65
Trade payables		706	607
Current tax liabilities		61	75
Derivatives	21	0	0
Accruals and deferred income	20	379	265
Other current liabilities		184	167
Total current liabilities		**1,644**	**1,284**
Total liabilities		**3,005**	**2,642**
Total equity and liabilities		**5,571**	**5,006**

For information on the Group's pledged assets and contingent liabilities, see note 23.

Consolidated Cash Flow Statement

SEK million	Note	2018	2017
Operating activities			
Profit before tax		316	305
Adjustment for non-cash items			
Depreciation, amortisation and impairment of non-current assets		186	114
Capital gain/loss on sale of non-current assets		–1	1
Transaction costs recognised in equity		–	–1
Unrealised exchange differences		–6	8
Unrealised interest-rate and currency derivatives		0	1
Additional consideration remeasurement		–14	1
Reversal of financial items		41	25
Other provisions		–2	–2
Total adjustments for non-cash items		**204**	**146**
Interest paid		–39	–21
Interest received		2	1
Income tax paid		–53	–62
Cash flow from operating activities before changes in working capital		**430**	**369**
Cash flow from changes in working capital			
Change in inventories		–62	–18
Change in receivables		37	–32
Change in operating liabilities		43	156
Cash flow from changes in working capital		**18**	**106**
Cash flow from operating activities		**448**	**475**
Investing activities			
Investments in property, plant & equipment and intangible assets	3, 11, 12	–83	–57
Sale of property, plant & equipment and intangible assets		2	6
Investments in Group companies	4	–545	–553
Investments in financial assets		–4	–
Divestments of financial assets		0	–
Divestments of subsidiaries	5	1	1
Cash flow from investing activities		**–629**	**–603**

SEK million	Note	2018	2017
Financing activities			
New issue of ordinary shares		–	–1
Dividend on preference shares		–64	–64
Dividend on ordinary shares		–41	–41
Redemption of pension liability		–	–24
Proceeds from borrowings	17	179	593
Repayments	17	–93	–263
Cash flow from financing activities		**–18**	**200**
Cash flow for the year		**–199**	**71**
Cash & cash equivalents at beginning of year		438	371
Exchange differences		2	–4
Cash & cash equivalents at end of year		**241**	**438**

Consolidated Statement of Changes in Equity

	Share capital	Other paid-in capital	Other reserves	Retained earnings incl. net profit	Non-controlling interests	Total equity
Opening balance, 1 Jan 2017	10	1,995	34	200	18	2,258
Net profit	–	–	–	240	1	241
Other comprehensive income	–	–	–19	0	0	–20
Total comprehensive income	–	–	–19	240	1	222
Dividend	–	–	–	–106	–	–106
Quotient value issue, ordinary shares	–	–	–	–1	–	–1
Shareholder contributions	–	–	–	12	–	12
Remeasurement of NCI	–	–	–	–13	–	–13
Other owner transactions	–	–	–	–2	–6	–8
Closing balance, 31 Dec 2017	**10**	**1,995**	**16**	**331**	**13**	**2,365**

	Share capital	Other paid-in capital	Other reserves	Retained earnings incl. net profit	Non-controlling interests	Total equity
IFRS 9 and IFRS 15 transition effect, net of tax	–	–	–	–3	0	–3
Opening balance, 1 Jan 2018	10	1,995	16	328	13	2,362
Net profit	–	–	–	272	2	274
Other comprehensive income	–	–	18		0	19
Total comprehensive income	–	–	18	272	2	293
Dividend	–	–	–	–105	–	–105
Shareholder contributions	–	–	–	–	–	0
Remeasurement of NCI	–	–	–	23	–	23
Other owner transactions	–	–	–	3	–8	–5
Closing balance, 31 Dec 2018	**10**	**1,995**	**34**	**520**	**7**	**2,567**

Notes to the consolidated accounts

NOTE 1 Accounting policies

General information

The Parent Company Volati AB (publ), corporate reg. no. is a limited liability company registered in Stockholm. The postal and visiting address of the head office is Engelbrektsplan 1, SE-114 34 Stockholm.

Basis of preparation

The consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board (IASB) and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC) as adopted by the European Commission for application within the EU. The Swedish Financial Reporting Board's recommendations RFR 1 and RFR 2 are also applied.

No IFRS amendments have led to any material changes to the consolidated accounts between the years 2017 and 2018 other than enhanced disclosure requirements. IFRS 15 Revenue from Contracts with Customers and IFRS 9 Financial Instruments are applied with effect from 1 January 2018.

IFRS 16 Leases comes into force on 1 January 2019. During 2017 and 2018, a project was conducted with the aim of analysing the effect of the new principles on the Group and finding methods of working and calculating according to the new regulations. The project was completed in the final quarter of 2018.

New income statement presentation

Volati has changed the income statement presentation and restated the comparative year 2017. According to the table below, the income statement has been broken down into more subtotal lines. The two new subtotal lines are EBITDA (Earnings before interest, tax, depreciation and amortisation) and EBITA (Earnings before interest, taxes, and acquisition-related amortisation). The reason for the new presentation is to clarify earnings before the effects of depreciation and amortisation, and earnings before amortisation of acquisition-related intangible assets.

IFRS 15 Revenue from Contracts with Customers

Under the new principles, revenue is recognised when the customer obtains control of the sold goods or services. Volati has applied the modified retrospective approach for the transition to IFRS 15, which means that comparative periods have not been restated under the new standard. The new standard has not had any material effect on the Group's financial statements other than enhanced disclosure requirements, see also note 19.

IFRS 9 Financial Instruments

The main impact comes from a partly new process for the impairment model for trade receivables and contract assets, which is based on expected credit losses rather than established losses. Volati has applied IFRS 9 prospectively. The new standard has not had any material effect on the Group's financial statements other than enhanced disclosure requirements.

IFRS 16 Leases

IFRS 16 requires assets and liabilities attributable to leases to be recognised in the balance sheet, with certain exceptions. Implementation of the new lease standard will result in the majority of the Group's leases being reported in the balance sheet, as a distinction between operating and finance leases is no longer made. IFRS 16 provides a choice of introduction method: early application, whereby all leases are remeasured from their inception date, or the modified retrospective approach, whereby historical commitments are not remeasured from their inception date but are assumed to have been entered into on 1 January

2019. Due to the fact that the Volati Group has approximately 400 leases, it was not practically possible to use the early application option, and Volati has therefore chosen the modified retrospective method.

Based on the operating leases, mainly lease contracts for the Group's operations, that existed on 31 December 2018, a calculation has been made to show what impact the introduction of IFRS 16 will have on the Group's balance sheet and income statement in 2019.

To calculate the effect of the introduction of IFRS 16, the length of the lease obligations has been based on the remaining lease terms, although extension options have been taken into account if exercise of such an option is reasonably certain. In addition, the calculation has been based on the leases that existed at the end of the 2018 financial year. The discount rate used for the value of the obligation has been adjusted for all contracts where the incremental borrowing rate in the lease could not be determined from the obligation, according to the type of leased asset it refers to, the geographical location of the asset and the estimated financial risk associated with the lessee. The discount rate used for obligations varies between 2 and 20 percent depending on these different assumptions.

Based on the above conditions, EBITDA is expected to be positively affected by SEK 273 million and EBITA by SEK 19 million for the 2019 financial year. With the introduction of IFRS 16, depreciation is expected to increase by SEK 254 million and interest expenses by SEK 42 million. Profit after tax is expected to be negatively affected by SEK 18 million. Taken over the duration of the lease obligations, total net profit after tax will not be affected by the introduction of IFRS 16, but the negative effect on profit after tax for 2019 arises because the chosen modified retrospective method means that higher finance costs will be reported in the first year of application as a result of the higher initial debt. The debt, and therefore the finance costs, will decrease over time and profit after tax will be positively affected by an amount corresponding to the negative effect in 2019. Furthermore, interest-bearing liabilities are expected to increase by SEK 854 million, which means that total assets will increase due to the recognition of a right of use and lease liability. Volati AB's financial commitments under bank loan agreements are based on the accounting policies that existed at the inception of the loans, which is why the associated covenants will not be affected by the introduction of IFRS 16.

Volati currently considers that targets and alternative performance measures will continue to be presented without the impact of IFRS 16, which may mean that definitions need to be updated in order to achieve unchanged calculations.

Basis of consolidation

Subsidiaries are entities over which Volati AB has control.

Subsidiaries are accounted for in accordance with the acquisition method. The acquisition is treated as a transaction whereby the Group indirectly acquires the subsidiary's assets and assumes its liabilities and contingent liabilities. The Group's cost is determined by means of an acquisition analysis conducted when the acquisition takes place. The analysis determines the cost of the shares or business and the acquisition-date fair value of the acquired identifiable assets and assumed liabilities and contingent liabilities. The cost of the subsidiary's shares or business comprises the fair values, at the transfer date, of assets, incurred or assumed liabilities, and issued equity instruments used as consideration in exchange for the acquired net assets. Acquisition-related costs are expensed as incurred. For business combinations where the cost exceeds the net value of acquired assets and assumed liabilities and contingent liabilities, the difference is recognised as goodwill. If the difference is negative, it is recognised directly in profit or loss.

Acquisition and divestment of subsidiaries

For acquisitions, subsidiaries are included in the consolidated financial statements from the date on which control is transferred to the Group. Income and expenses for companies divested during the year are included in the consolidated income statement until the date on which control ceases.

Transactions eliminated on consolidation

Intra-group receivables and liabilities, income and expense, and unrealised gains or losses arising from intra-group transactions are eliminated in full.

Foreign currency

Transactions

Foreign currency transactions are translated into the functional currency at the exchange rate on the transaction date.

Foreign currency monetary assets and liabilities are translated into the functional currency at the exchange rate on the reporting date. Exchange differences arising from the translation of the foreign subsidiaries' equity and goodwill attributable to foreign subsidiaries are recognised in other comprehensive income. Changes in value due to the translation of operating assets and liabilities are recognised in operating profit or loss.

Non-monetary assets and liabilities recognised at historical cost are translated at the exchange rate on the transaction date. Non-monetary assets recognised at fair value are translated into the functional currency at the exchange rate on the fair value measurement date. Exchange-rate changes are then recognised in the same way as other changes in value for the asset or liability.

The following exchange rates were used for the principal currencies:

	2018		2017	
	Closing rate	Average rate	Closing rate	Average rate
EUR	10,255	10,257	9,844	9,633
NOK	1,031	1,069	1,000	1,033
USD	8,956	8,692	8,208	8,538

The consolidated financial statements are presented in Swedish kronor (SEK), which is the Parent Company's functional currency.

Financial statements of foreign entities

Assets and liabilities of foreign entities, including goodwill and other fair value adjustments, are translated into Swedish kronor using the exchange rate prevailing at the reporting date. Income and expenses for foreign entities are translated into Swedish kronor at average exchange rates representing an approximation of the rates prevailing on the transaction dates. Exchange differences arising on translation of foreign operations are recognised in other comprehensive income and accumulated in the translation reserve in equity.

Revenue recognition – 2017

Revenue is recognised when the significant risks and rewards of ownership of the companies' goods have been transferred to the buyer and it is probable that future economic benefits will flow to the Company. In addition, revenue is not recognised until the revenue and the expenses that have arisen or are expected to arise as a consequence of the transaction can be measured reliably. Revenue and costs from fixed-priced contracts are recognised in the period that the services were rendered. Revenue is recognised by reference to the stage of completion for the specific contract, namely the percentage of the total assignment that has been completed.

Revenue from Contracts with Customers – 2018

The Group recognises revenue when the Group satisfies a performance obligation, which is when promised goods or services are delivered to the customer and the customer takes over the control of the goods. Control of a performance obligation can be transferred over time or at a point in time. Revenue consists of the amount that the Company expects to receive for the transferred goods or services. To recognise revenue from contracts with customers, the Group analyses each customer contract in accordance with the five-step model in IFRS 15: Step 1: Identify a contract between at least two parties where there is a right and an obligation. Step 2: Identify the obligations. A contract includes a promise to transfer goods or services to the customer (performance obligation). All obligations that are distinct in nature must be reported separately. Step 3: Determine the transaction price. The transaction price is the amount of consideration an entity expects to receive in exchange for transferring the promised goods or services. The transaction price has to be adjusted for elements of variable consideration such as discounts. Step 4: Allocate the transaction price to the different performance obligations. An entity can usually allocate the transaction price of the individual goods or services by reference to their stand-alone selling prices. Step 5: Satisfaction of performance obligations and recognition of revenue. The entity recognises revenue when the performance obligations are satisfied. The amount recognised as revenue is the amount that the entity has previously allocated to the relevant performance obligation.

Description of revenue categories
The Group has very diversified operations and revenue recognition differs according to the type of business. In note 3, there is a summary of the most common performance obligations and payment terms, that are found within Volati's different business areas.

Performance obligations satisfied at a point in time
For sales of goods, each separate product in the order is considered to be a performance obligation, and where there is a material right to receive future discounts, this right is considered to be a separate performance obligation. The transaction price is affected by elements of variable consideration, which normally consist of a right of return. Revenue is recognised at a certain point in time, as the criteria for the transfer of control over time are not met. The Group considers that control is normally passed on completion of delivery in accordance with applicable terms of delivery, which is the point when risks and rewards are transferred to the customer.

Performance obligations satisfied over time
When control is passed over time, revenue is recognised based on the progress towards satisfaction of the performance obligation. The choice of method for measuring progress requires judgement and is based on the type of product or service in question. The cost by cost method is generally used to measure the contract's stage of completion as it best represents the transfer of control to the customer, which is the point when we incur costs on our performance obligations. Use of the accrued method measures the stage of completion based on costs incurred at a given point time in relation to the total calculated costs to fulfil the contract. Revenue including estimated fees or profits is recognised proportionately as costs are incurred. Costs incurred to fulfil a contract include salaries, materials and subcontractors' costs, other direct costs and overheads for materials.

Warranties
In certain business units, the Group recognises a provision for service warranties, reported as costs and liabilities at the inception of a contract, based on the contractual requirements that may arise and are considered probable.

In some contracts, a business unit in the Group provides service warranties of up to ten years in addition to fixing defects that existed at the time of sale, previously accounted for in accordance with IAS 37. Under IFRS 15, such service warranties are treated as separate performance obligations, whereby part of the revenue is allocated and apportioned over the term of the obligation. See also note 19. On transition to IFRS 15, the Group recovered previously recognized guarantees of SEK 5 million in connection with extended warranties that were outstanding as of 1 January 2018. Short-term provisions of SEK 1 million, previously reported under IAS 37, were scrapped, and after taking into account a temporary tax liability of SEK 1 million, the difference was SEK 3 million, which is reported as an item in equity as of 1 January 2018.

Variable consideration
Returns – The Group recognises a provision for the elements of revenue which at the time of sale are considered uncertain, linked to a future provision. To assess the provision, which is thus a reduction in revenue until the associated risk is no longer probable, the Group uses statistical models based on historical customer data. Most of the returns take place between 10 and 30 days, which means that the Group recognises a provision and reduction in revenue during this period. The Group also books an asset corresponding to the cost of the portion considered to be uncertain, linked to the right of return at the time of the transaction. This cost refers to the portion of the cost of sale associated with the right of return less the Group's costs to resell the product.

Discounts/Gift vouchers – Discounts have been handled as a reduction in revenue at the time of the transaction, i.e. as a provision, and are recognised as revenue only when the Group considers that there is no longer a high probability that this revenue may need to be reversed. For sales of gift vouchers, the main amount is reported as Other liabilities and is recognised as a revenue only when the gift voucher is used, or when its validity expires. However, the smaller part that the company do not consider to be utilized during the period of validity is recognized as revenue on an ongoing basis.

Contract assets and liabilities
The implication is that a contract asset or a contract liability arises when either party (the supplier or the customer) in the contract performs. When the supplier in a contract satisfies its obligation by delivering a product or a service, a right to receive payment from the customer arises. This right constitutes a contract asset. If the customer is first to perform under the contract, i.e. pays for the goods or services that will be delivered, an obligation to deliver arises. This obligation constitutes a contract liability. Contract assets are tested for impairment in accordance with IFRS 9. See note 21.

Income from investments in associates
Income from investments in associates is reported in the income statement, net of tax, under Other operating income.

Finance income and costs
Net financial items includes dividends, interest income and expenses, interest charges on finance leases, costs for securing financing, cash handling costs, bank charges, factoring charges, redemption fees for credit card processing, credit sales costs, securities handling costs and exchange rate changes relating to financial assets and liabilities. Capital gains/losses and impairment of financial assets are also reported under net financial items. Interest income is distributed over the relevant period using the effective interest method. When the value of a receivable has declined, the Group reduces the carrying amount to the recoverable amount, which consists of the estimated future cash flow, discounted by the original effective interest rate for the instrument, and continues to recognise the discount effect as interest income. Interest income on impaired loans is reported at the original effective interest rate. Dividend income is recognised when the right to receive payment is established. Finance lease payments are apportioned between the finance charge (interest expense) and repayment of the outstanding lease obligation. The interest expense is reported under finance costs. Changes in the value of financial assets are measured at fair value through profit or loss, including derivative instruments that are not recognized in other comprehensive income due to hedge accounting. The introduction of IFRS 9 of 1 January 2018 has led to a new process at the Group's companies, whereby an analysis is conducted for each reporting period to measure expected credit losses, using historical data on the debtor's financial position, the general economic situation in the debtor's industry and an assessment of both present and forecast conditions on the reporting date, see also note 23. Impairment of financial instruments is not reported on a separate line in the income statement, as the value is immaterial.

Intangible assets
Goodwill
In a business combination, if a positive difference arises between the cost of acquisition and the fair value of the acquired assets, assumed liabilities and contingent liabilities, this is recognised as goodwill.

Goodwill is measured at cost less any accumulated impairment. Goodwill is tested annually for impairment. See also note 11. Goodwill arising from the acquisition of associates is included in the carrying amount of investments in associates.

Capitalised development expenditure
Development expenses that are directly attributable to the development and testing of identifiable and unique products and business systems controlled by the Group are reported as intangible assets when the following criteria are met:

- The technical feasibility of completing the product so that it will be available for use;
- The intention to complete the product and use or sell it;
- The ability to use or sell the product;
- The product will generate probable future economic benefits;
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the product; and
- The ability to measure reliably the expenditure attributable to the product.

After initial recognition, internally generated intangible assets are recognised at cost less accumulated amortisation and impairment. Amortisation begins when the asset is available for use. In the Group, these items consist largely of ERP systems and development projects.

Other development expenditure that does not meet these criteria is expensed as it arises.

Other intangible assets

Other intangible assets acquired by the Group, often in business combinations, are recognised at cost less impairment and, if the asset has a finite useful life, accumulated amortisation.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the intangible assets' estimated useful life.

Intangible assets with a finite useful life are amortised from the date when the asset is available for use.

Estimated useful lives:

	Number of years
Patents	5
Trademarks	10–20
Technology	3–10
Customer relationships	10–20
Customer databases	5
Capitalised development expenditure	3–7

Property, plant & equipment

Owned assets

Items of property, plant and equipment are recognised as an asset when it is probable that future economic benefits associated with the asset will flow to the Group and the cost can be measured reliably.

Property, plant & equipment is recognised at cost less accumulated depreciation and impairment. Cost comprises the purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended. Examples of directly attributable costs are delivery and handling costs, installation, title expenses, consultancy and legal services.

Parts of an item of property, plant and equipment with different useful lives are treated as separate components of property, plant and equipment.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from the disposal of an item of property, plant and equipment is the difference between the selling price and the asset's carrying amount less direct costs to sell. Gains and losses are reported under other operating income/expenses.

Leased assets

Leases are classified as finance leases or operating leases. A finance lease is a lease that transfers substantially all the financial risks and rewards incidental to ownership of an asset. If this is not the case, the lease is classified as an operating lease.

Depreciation

Depreciation is applied on a straight-line basis over the estimated useful life of the asset. Land is not depreciated. The Group applies component depreciation, which means depreciation is based on the estimated useful lives of components.

	Number of years
Buildings	20–50
Machinery and equipment	3–10

The residual values and useful lives of assets are reviewed annually.

Calculation of recoverable amount

If there is an indication that an asset may be impaired, the recoverable amount is calculated. The recoverable amount is the higher of fair value less costs of disposal and value in use. See note 11 for a detailed description.

Reversal of impairment

Impairment of assets is reversed if there has been a change in the assumptions on which the calculation of recoverable amount was based. Goodwill impairment is not reversed. An impairment loss is reversed only to the extent that the asset's carrying amount after reversal does not exceed the carrying amount that would have been determined, net of depreciation where applicable, had no impairment loss been recognised.

Financial assets and liabilities

At initial recognition, financial instruments are classified according to the purpose for which they were acquired and are managed. This classification determines how the instruments are measured. Financial instruments recognised in the balance sheet include derivatives, cash and cash equivalents, securities, other financial receivables, trade receivables, loan receivables, trade payables, bonds and loan liabilities.

Classification and measurement of financial assets
Classification of financial assets that are debt instruments is based on the Group's business model for managing the asset and the characteristics of the asset's contractual cash flows.

Assets are classified as follows:
- Financial assets measured at amortised cost
- Financial assets measured at fair value through profit or loss
- Financial assets at fair value through OCI

The Group's financial assets are classified as at amortised cost, apart from derivatives and other shares and interests, which are classified as at fair value through profit or loss. At initial recognition, financial assets classified as at amortised cost are measured at fair value plus transaction costs. Subsequent measurement of the assets is at amortised cost. Under the business model, assets classified as at amortised cost are held for collection of contractual cash flows that are solely payments of principal and interest on the principal amount outstanding. The assets are covered by a loss allowance for expected credit losses. Trade receivables are initially recognised at the invoiced amount.

Financial assets are derecognised when the right to receive cash flows from the instrument has expired or been transferred, and the Group has transferred substantially all the risks and rewards of ownership.

Classification and measurement of financial liabilities
Financial liabilities are classified at amortised cost, with the exception of derivatives, put options and additional consideration, which are recognised at fair value in the income statement or equity. At initial recognition, financial liabilities classified as at amortised cost are measured at fair value plus transaction costs. They are subsequently measured using the effective interest method. The Group's derivatives are classified and recognised as financial liabilities measured at fair value through profit or loss.

Impairment of financial assets
The Group's impairment model is based on expected credit losses, and takes into account forward-looking information. A loss provision is recognised when there is exposure to credit risk, normally on initial recognition of an asset or receivable. In accordance with the standard, the Group applies a simplified model for receivables and contract assets with a maturity of less than 12 months – normally the Group's trade receivables and contract assets, which have short credit periods.

Cash and cash equivalents
Cash and cash equivalents consist of cash and demand deposits with banks and similar institutions.

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. These assets are measured at amortised cost. As trade receivables are of short duration, they are measured at nominal amounts without discounting.

This category includes trade receivables, loan receivables and other financial receivables. Trade receivables are tested for impairment on an ongoing basis. At each reporting date, an assessment is made of whether there is objective evidence that a loan receivable is impaired. Loan receivables are assessed individually. Impairment of loans and receivables is reported under other external costs. If the expected holding period for loan receivables and other financial receivables exceeds one year, the receivables are classified as non-current receivables; if it does not, they are classified as other receivables.

Other shares and participations and other non-current financial assets
Other shares and participations are recognised at fair value through profit or loss, apart from investments in associates, which are initially measured at cost on the acquisition date. Associates' profit or loss and impairment losses are subsequently recognised on an ongoing basis under profit/loss from investments in associates if they are considered material; otherwise, they are reported under other operating expenses or income. Other non-current financial assets are recognised at cost, apart from endowment insurance assets, which are recognised at fair value through profit or loss. An impairment loss is recognised if a permanent decline in value is established.

Financial liabilities/borrowings
Borrowing is initially recognised at fair value, net of transaction costs. Borrowings are subsequently recognised at amortised cost, and any difference between the amount received (net of transaction costs) and the repayment amount is recognised in profit or loss over the term of the loan using the effective interest method.

Put options over non-controlling interests
Put options over non-controlling interests are agreements concluded with non-controlling interests entitling the holders to sell their shares in the company at fair value. The agreement, i.e. the put option, which corresponds to the purchase price of the shares, is recognised as a liability. On remeasurement of the liability, the change in value is recognised in equity. When the put option is initially recognised as a liability, equity corresponding to its fair value is reduced, whereby Volati has chosen to account for primarily non-controlling interests' in equity and, if this is not sufficient, in equity attributable to owners of the Parent Company. See also note 23 Financing risk. On the reporting date, these put options were measured at a market value based on a multiple analysis adjusted for the net debt in each business unit. This also means that, as a financial liability corresponding to the market value of these minority shareholdings arose, Volati does not recognise any of their share of net profit for the year as profit attributable to non-controlling interests.

Derivatives
Volati uses derivative financial instruments to cover risks associated with exchange rate movements. Currency hedging measures are applied for commercial exposure within the framework of each business unit's financial policy. All derivatives are recognised at fair value in the balance sheet. Changes in value arising from remeasurement may be recognised differently, depending on whether or not the derivative is classified as a hedging instrument. The Group does not apply hedge accounting as the qualifying criteria are not met. If the derivative is not classified as a hedging instrument, the change in value is recognised directly in the income statement under the items other operating income or other operating expenses. If the derivative is classified as a hedging instrument, the change in value is recognised in other comprehensive income and unrealised gains and losses are recognised in the hedging reserve in equity. If hedge accounting is discontinued before the end of the derivative's term, the derivative's future change in value are recognised directly in profit or loss, and the gains and losses already accumulated in equity are reclassified to profit or loss.

Equity

Share capital/other paid-in capital
A specification of share capital development can be found in 'Share Information' in this annual report. Transaction costs directly attributable to the issue of new shares are recognised in equity, net of tax, as a deduction from the issue proceeds. In addition, costs attributable to transactions with minorities are recognised directly in equity.

Other reserves
Other reserves comprise the translation reserve, which includes all exchange differences arising on

translation of foreign operations' reports prepared in a currency other than the Group's presentation currency. The Group's and the Company's presentation currency is Swedish kronor (SEK).

Retained earnings, including net profit
Retained earnings, including net profit consists of the earnings of the Company and its subsidiaries.

Preference shares
Preference shares are reported under equity. Preference shares were issued in May 2015, giving entitlement to a priority dividend of SEK 40 per preference share (in quarterly payments of SEK 10). Following a General Meeting resolution, the preference shares are redeemable at a fixed amount which is gradually reduced from SEK 725 per share up to the fifth anniversary of the issue; to SEK 675 per share up to the tenth anniversary; and to SEK 625 per share for the period thereafter.

Inventories
Inventories, including self-constructed goods, are measured at the lower of cost and net realisable value.

Cost is calculated according to the first in-first out principle or using methods based on weighted average less obsolescence allowance. The cost of self-constructed finished and semi-finished goods comprises the cost of conversion and a reasonable proportion of indirect costs.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

Inventories also consists of return assets that are associated with the right to return products. The right of return is measured as the cost of sale for the product less the Group's costs to resell it.

Employee benefits
Obligations under defined-contribution plans are recognised as an expense in the income statement as incurred.

Provisions
A provision is recognised in the balance sheet when the Group has a present obligation (legal or constructive) as a result of a past event and it is probable that an outflow of financial resources will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the effect of the time value of money is material, provisions are estimated by discounting expected future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and any risks specific to the liability. The provisions are mainly attributable to guarantees.

Tax

Income tax consists of current tax and deferred tax. Taxes are recognised in the income statement except when the underlying transaction is recognised directly in equity or other comprehensive income, in which case the related tax effect is also recognised in equity or other comprehensive income.

Deferred tax is recognised on the basis of the difference between the carrying amounts of assets and liabilities and their corresponding tax bases, Deferred income tax is determined using tax rates and tax rules that have been enacted or substantively enacted by the reporting date.

Deferred tax assets on temporary differences and deferred tax assets arising from loss carryforwards are only recognised to the extent that it is probable that they can be utilised within the next few years. The carrying amounts of deferred tax assets are reduced when it is no longer considered probable that they can be utilised.

Contingent liabilities

A contingent liability is recognised when a possible obligation arises from past events whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events, or when there is an obligation which is not recognised as a liability or provision because it is not probable that an outflow of resources will be required to settle the obligation. Contingent liabilities are mainly attributable to pledged shares. See also note 23 Pledged assets and contingent liabilities.

Segment reporting

The Group's operations are governed and reported primarily by business area. Segments are consolidated in accordance with the same principles as for the Group as a whole. Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker is the function responsible for allocating resources and assessing the operating segments' performance. In the Group, this function has been identified as the CEO. The CEO reports the Group's financial performance to the Board at business-area level and, accordingly, both internal and external reporting correspond. The segments' earnings represent their contribution to the Group's earnings. A segment's assets include all operating assets used by the segment and primarily comprise intangible assets, property, plant and equipment, inventories, external trade receivables, other receivables, prepaid expenses and contract assets. A segment's liabilities include all operating and interest-bearing liabilities used by the segment and primarily comprise provisions, deferred tax liabilities, external trade payables, other current liabilities, accrued expenses and contract liabilities. Unallocated assets and liabilities mainly include the Company's assets, liabilities and Group eliminations of internal balances.

NOTE 2 Other operating income and expenses

Other operating income	2018	2017
Income from sale of machinery and equipment	2	1
Insurance compensation	0	0
Recovered gift cards and unclaimed advance payments[1)]	–	3
Additional consideration remeasurement	15	0
Currency effects	0	–
Other	1	3
	18	**7**

[1)] As of 2018, included in net sales.

Other operating expenses	2018	2017
Income from sale of machinery and equipment	–1	–2
Currency effects	–2	–4
Additional consideration remeasurement	–	–1
Profit/loss from investments in associates	0	–
Other	0	–2
	–4	**–9**

NOTE 3 Segment reporting

	2018			2017		
Net sales[1)]	**External net sales**	**Internal net sales**	**Net sales**	**External net sales**	**Internal net sales**	**Net sales**
Trading	2,106	1	2,107	1,615	0	1,615
Industry	1,270	1	1,271	747	–	747
Akademibokhandeln	1,784	–	1,784	1,029	–	1,029
Consumer	923	–	923	966	–	966
Internal eliminations	–	–1	–1	–	0	0
	6,084	**0**	**6,084**	**4,356**	**0**	**4,356**

Distribution of revenue 2018

Net sales[1)]	Sale of goods	Services	Other	Total revenue from contracts with customers	Equipment leasing	Other	Total
Trading	2,106	–	–	2,106	–	0	2,106
Industry	1,099	106	18	1,224	46	0	1,270
Akademibokhandeln	1,746	–	–	1,746	–	38	1,784
Consumer	303	608	2	913	–	10	923
	5,255	**715**	**20**	**5,989**	**46**	**48**	**6,084**

[1)] The business areas include acquired entities from the acquisition date. See separate note on acquisitions completed during the respective periods.

Distribution of revenue 2017

Net sales[1)]	Sale of goods	Services	Other	Total revenue from contracts with customers	Equipment leasing	Other	Total
Trading	1,615	–	0	1,615	–	–	1,615
Industry	668	37	11	716	31	0	747
Akademibokhandeln	1,014	–	–	1,014	–	15	1,029
Consumer	329	625	2	955	–	10	966
	3,626	**661**	**13**	**4,300**	**31**	**25**	**4,356**

Revenue categories	Performance obligation	Payment
Sale of goods	For the Trading, Akademibokhandeln and Consumer business areas, the performance obligation is satisfied at a point in time, i.e. when the customer has received the goods or has control over the goods. Within Industry, some of the performance obligations are satisfied over time. Returns are made at certain times. Provisions for variable consideration such as returns are recognised according to historical data. Discounts are treated as a reduction in revenue and measured based on an assessment by management. Some of Industry's operations use payment plans instead, which are not treated as performance obligations.	In some cases, payment is made immediately, otherwise through invoicing. Payment terms of 30 days are most common, although there are contracts with payment terms of over 90 days. Some payments are also made under payment plans, in which case they are not treated as performance obligations.
Services	Most services are found within the Consumer business area. The associated performance obligation is satisfied at a point in time, which is when the customer has had the service carried out. There are also services in Industry, and here too the performance obligation is satisfied at a point in time, and for a minor part over time.	In some cases, payment is made immediately, otherwise through invoicing. Payment terms of 30 days are most common, although there are contracts with payment terms of over 90 days.
Equipment leasing	This takes place in the Industry business area and here the performance obligation is satisfied over time. Performance obligations for warranties are also satisfied over time.	In some cases, payment is made immediately, otherwise through invoicing. Payment terms of 30 days are most common, although there are contracts with payment terms of over 90 days.

See also note 1 for a further description of revenue streams.

Net sales by country[1) 2)]	2018	2017
Sweden	5,164	3,464
Norway	423	410
Finland	141	158
Germany	112	105
Poland	30	51
Denmark	70	73
UK	26	20
Ukraine	32	35
France	26	9
Hungary	22	9
Austria	11	6
Russia	25	12
Romania	1	1
Belgium	0	0
Hong Kong	1	4
Thailand	1	0
	6,084	**4,356**

1) The business areas include acquired entities from the acquisition date. See separate note on acquisitions completed during the respective periods.

2) Net sales by country refers to the country in which the Group company that delivered the product or service has its registered office.

EBITDA[1)]	Full year 2018	Full year 2017
Trading	176	136
Industry	183	106
Akademibokhandeln	100	116
Consumer	138	167
Items affecting comparability[2)]	12	–9
Central costs	–56	–57
EBITDA	**552**	**459**

EBITA[1)]	2018	2017
Trading	158	125
Industry	144	79
Akademibokhandeln	72	105
Consumer	104	134
Items affecting comparability[2)]	12	–9
Central costs	–57	–58
EBITA	**433**	**377**
Acquisition-related amortisation	–49	–31
Goodwill impairment	–18	
Net financial items	–50	–40
Profit before tax	**316**	**305**
Tax	–42	–63
Net profit	**274**	**241**

1) The business areas include acquired entities from the acquisition date. See separate note on acquisitions completed during the respective periods.

2) See note 28 for definition.

Operating profit[1]	2018	2017
Trading	147	119
Industry	140	77
Akademibokhandeln	48	93
Consumer	93	123
Goodwill impairment	–18	
Items affecting comparability[2]	12	–9
Central costs	–57	–58
	366	**345**

Depreciation/amortisation[1]	2018	2017
Trading	28	17
Industry	43	28
Akademibokhandeln	52	23
Consumer	44	44
Parent Company/Other	1	1
	168	**114**

1) The business areas include acquired entities from the acquisition date. See separate note on acquisitions completed during the respective periods.

2) See note 28 for definition.

	2018		2017	
Assets[1]	Total assets	Of which intangible assets and PPE	Total assets	Of which intangible assets and PPE
Trading	2,135	990	2,028	995
Industry	1,833	749	1,188	630
Akademibokhandeln	1,441	900	1,391	922
Consumer	1,243	875	1,127	895
Unallocated assets	–1,081	16	–728	–268
	5,571	**3,531**	**5,006**	**3,174**

Liabilities[1]	2018	2017
Trading	1,842	1,792
Industry	2,103	1,006
Akademibokhandeln	1,038	1,064
Consumer	1,268	1,012
Unallocated liabilities	–3,247	–2,234
	3,005	**2,642**

Investments[1]	2018	2017
Trading	5	11
Industry	32	16
Akademibokhandeln	29	22
Consumer	16	8
Parent Company/Other	–	0
	83	**57**

1) The business areas include acquired entities from the acquisition date. See separate note on acquisitions completed during the respective periods.

NOTE 4 Corporate acquisitions

2018

S:t Eriks

Volati signed an agreement on 17 July 2018 to acquire all shares in S:t Eriks Group AB, a leading manufacturer of concrete and natural stone products for infrastructure, paving, roofing and water & sewage systems. S:t Eriks is a new business unit in the Industry business area, and has been consolidated in the Volati Group since 31 August.

Other aquisitions

During 2018, a small holding company was acquired for a purchase price of SEK 6.8 million. The acquisition affected 2018 EBITA by SEK –0.4 million in transaction costs and net profit by SEK 9.7 million. The positive contribution to net profit was due to the company being purchased at a price lower than the valuation of historical losses.

Further, five percent of the shares in Kellfri Holding AB were repurchased from the former CEO of Kellfri AB for a purchase price of SEK 4.6 million. The total effect on the Group's equity including non-controlling interests amounted to SEK –4.9 million.

During the year, also a minor holding in an associate was acquired for SEK 4.3 million. In addition, shares in Volati Bok were repurchased from senior executives at a purchase price of SEK 5.1 million.

An overview of the effect of the acquisitions on the Volati Group's balance sheet is set out below.

Effect of acquisitions on balance sheet (SEK million)	S:t Eriks	Other acquisitions	31 Dec 2018
Intangible assets	80	–	80
Property, plant and equipment	174	–	174
Deferred tax asset	10	17	27
Inventories	221	–	221
Trade receivables	145		145
Other receivables	40	5	46
Cash and cash equivalents	29	0	29
Equity		–3	–3
Deferred tax liability	–44		–44
Other provisions	–5		–5
Non-controlling interests	–	8	8
Non-current interest-bearing liabilities	–16	–	–16
Current interest-bearing liabilities	–437	–	–437
Current liabilities	–204	0	–204
	–6	**27**	**21**
Measurement of historical losses		–10	–10
Goodwill	163		163
Purchase price for shares	**157**	**17**	**174**

Effect of acquisitions on balance sheet (SEK million)	S:t Eriks	Other acquisitions	31 Dec 2018
Purchase price for shares	–157	–17	–174
Deferred additional consideration	30	–	30
Deferred fixed consideration	115		115
Repaid liabilities at the acquisition date	–435		–435
Consideration settled against receivable	–	4	4
Cash & cash equivalents in the acquired company at the acquisition date	29	0	29
Effect on the Group's cash and cash equivalents on acquisition date	**–418**	**–13**	**–431**
Fixed consideration settled after acquisition	–114		–114
Effect on the Group's cash and cash equivalents 1 Jan – 31 Dec 2018	**–531**	**–13**	**–545**

The deferred fixed consideration (SEK 114 million) was settled in December 2018. The deferred additional consideration is contingent on the future profitability of S:t Eriks and is payable if certain profitability criteria are met, in which case the amount will be settled no later than June 2020. As one of the profitability criteria was not met for the full year 2018, the additional consideration was remeasured, resulting in a positive EBITDA effect of SEK 14 million for the quarter. A goodwill impairment test was conducted in connection with the remeasurement, which resulted in goodwill being written down by SEK 14 million.

Effect of acquisitions on income statement	Net sales 2018	EBITDA 2018	EBITA 2018	EBIT 2018
S:t Eriks	372	31	20	5
Other acquisitions	–	–	–	–
Volati Group	**372**	**31**	**20**	**5**

The acquisitions' contribution to the Group's income statement in 2018 was as follows: net sales SEK 372 million, EBITDA SEK 31 million, EBITA SEK 20 million and operating profit SEK 5 million. In addition, acquisition-related transaction costs had a negative effect of SEK 2 million on the Group's earnings. If the acquisitions had been consolidated with effect from 1 January 2018, their contribution to the Group's income statement, excluding transaction costs, for the period January-December 2018 would have been as follows: sales SEK 1,061 million, EBITDA SEK 61 million, EBITA SEK 33 million and operating profit SEK 14 million. Goodwill of SEK 163 million arising from the transactions is supported by several factors, which are largely attributable to the acquired companies' market shares.

2017

During the full year 2017, Volati acquired three companies: Akademibokhandeln Holding AB, Silokonsult Göran Persson AB and T-Emballage Thureson AB. In addition, a small holding company was acquired for a purchase price of SEK 5.0 million.

Akademibokhandeln Holding AB, Sweden's leading bookstore chain, with a successful omni-channel strategy and the online bookstore Bokus, was acquired on 3 July 2017 and became a separate fourth business area with effect from Q3 2017. Volati's holding is 95.04 percent and the management of the company has an ownership corresponding to 4.96 percent of the shares in Volati Bok which is the parent company of Akademibokhandeln Holding AB. Akademibokhandeln had net sales of SEK 1.8 billion in 2016.

Silokonsult Göran Persson AB was acquired on 5 July 2017. The acquisition of Silokonsult was an add-on acquisition to Tornum's operations in the Industry business area. Silokonsult Göran Persson AB is a Swedish supplier of machinery and project planning for the grain and milling industries. The acquisition of Silokonsult Göran Persson AB strengthens Tornum's position as a supplier of grain handling systems to industrial customers in Sweden.

T-Emballage Thureson AB was acquired on 10 November 2017 and is now a business unit in the Trading business area. Volati's ownership share is 94 percent, while the company's CEO and deputy CEO, who have remained with the company, have an ownership share of 6 percent. T-Emballage Thureson AB develops and supplies products and complete solutions in three product areas: building materials for builders and house manufacturers, packaging solutions for industry and sawmills, and logistics services. T-Emballage Thureson AB is expected to be able to leverage the established sales channels in the business area's existing operations in the Nordic region. T-Emballage has 70 employees and reported sales of SEK 584 million and EBITDA of SEK 42 million and EBITA of SEK 40 million in 2016.

Effect of acquisitions on income statement	Net sales 2017	EBITDA 2017	EBITA 2017	EBIT 2017
Akademibokhandeln	1,029	116	105	93
T-Emballage	99	7	6	5
Other acquisitions	5	–0	–0	–0
Volati Group	**1,133**	**123**	**111**	**98**

The acquisitions' contribution to the Group's income statement in 2017 was as follows: net sales SEK 1,133 million, EBITDA SEK 123 million, EBITA SEK 111 million and operating profit SEK 98 million. In addition, acquisition-related transaction costs had a negative effect of SEK 13 million on the Group's earnings and SEK 1 million on equity. If the acquisitions had been consolidated with effect from 1 January 2017, their contribution to the Group's income statement, excluding transaction costs, for the period January-December 2017 would have been as follows: sales SEK 2,424 million, EBITDA SEK 164 million, EBITA SEK 139 million and operating profit SEK 110 million. Earnings during the period January-June were positively affected by a refund of SEK 12 million from pension companies. Goodwill of SEK 199 million arising from the transactions is supported by several factors, which are largely attributable to the acquired companies' market shares.

During the year, a non-controlling interest was acquired from a former minority owner, which resulted in the minority in the subsidiary Volati Tryck Holding ceasing and Volati 2 owning 100 percent of the shares in the subsidiary.

Effect of acquisitions on balance sheet (SEK million)	Akademi-bokhandeln	T-Emballage	Other acquisitions	31 Dec 2017
Intangible assets	869	82	–	950
Property, plant and equipment	39	13	–	52
Financial assets	–	2	–	2
Deferred tax asset	14	3	11	28
Inventories	154	55	–	209
Trade receivables	19	132	1	152
Other receivables	98	15	11	125
Cash and cash equivalents	6	44	26	76
Deferred tax liability	–110	–30	–4	–144
Pension liability	–	–24	–	–24
Other provisions	–	–	–2	–2
Non-controlling interests	–	–	6	6
Non-current interest-bearing liabilities	–583	–3	–	–586
Current interest-bearing liabilities	–3	–2	–	–5
Current liabilities	–254	–130	–4	–388
	249	**157**	**45**	**451**
Goodwill	15	173	10	199
Purchase price for shares	**264**	**331**	**56**	**650**
Purchase price for shares	264	331	56	650
Non-cash issue	–12	–	–	–12
Owner transactions	–	–	2	2
Bargain purchases	–	–	–7	–7
Additional consideration paid	–	–	3	3
Unpaid additional consideration	–	–	–7	–7
Cash and cash equivalents in acquired company at the acquisition date	–6	–44	–26	–76
Effect on the Group's cash and cash equivalents 1 Jan – 31 Dec 2017	**245**	**286**	**22**	**553**

NOTE 5 Divestment of shares in subsidiaries

In 2018, 4 percent of the shares in Volati 1 Holding AB were sold to the CEO of Ettikettoprintcom AB for a purchase price of SEK 0.8 million. The transaction had a positive effect of SEK 0.8 million on cash and cash equivalents and a negative effect of SEK 0.8 million on other current liabilities.

In 2017, 0.48 percent of the shares in Volati Bok AB, which is the holding company of Akademibokhandeln, were sold to the CEO and senior executives of the company. The transaction had a positive effect of SEK 1.2 million on cash and cash equivalents and a negative effect of SEK 1.2 million on equity.

NOTE 6 Employees and personnel expenses

	2018			2017		
	Men	Women	Total	Men	Women	Total
Volati Head Office	5	3	**8**	8	3	**11**
Akademibokhandeln[1)]						
Akademibokhandelsgruppen AB	0	1	**1**	0	2	**2**
Bokhandelsgruppen i Sverige AB	92	352	**444**	41	423	**464**
Bokus AB	17	13	**30**	15	14	**29**
Besikta						
Besikta Bilprovning i Sverige AB	515	54	**569**	519	51	**570**
Besikta Holding AB	0	0	**0**	1	0	**1**
Corroventa						
Corroventa Sweden	27	7	**34**	26	5	**31**
Corroventa Poland	1	0	**1**	1	0	**1**
Corroventa Germany	12	3	**15**	12	3	**15**
Corroventa England	4	0	**4**	4	0	**4**
Corroventa Austria	2	0	**2**	2	0	**2**
Corroventa France	2	1	**3**	3	2	**5**
Corroventa Norway	2	0	**2**	1	0	**1**
Ettikettoprintcom						
Ettikettoprintcom	50	15	**65**	51	14	**65**
Ettikettoprintcom Åtvidaberg	24	5	**29**	22	5	**27**
Trading						
Lomond Industrier AB	68	18	**86**	71	18	**89**
Thomée Gruppen AB	34	12	**46**	22	10	**32**
Bårebo Nordic AB	0	0	**0**	12	3	**15**
Habo Gruppen AB	19	11	**30**	21	10	**31**
Habo Danmark	6	1	**7**	6	1	**7**
Habo Finland OY	4	2	**6**	4	2	**6**
Habo Norge AS	12	5	**17**	12	5	**17**
Miljöcenter i Malmö AB	11	10	**21**	11	9	**20**
Kellfri Sverige	35	11	**46**	38	11	**49**
Kellfri Danmark	0	0	**0**	2	0	**2**
Kellfri Norge	2	0	**2**	–	–	**–**
Kellfri Finland	4	0	**4**	4	0	**4**
Kellfri Polen	0	0	**0**	0	1	**1**
Lantbutiken Sverige AB	2	2	**3**	3	3	**6**
Industribeslag AS	25	1	**26**	22	1	**23**
T-Emballage Thureson AB[2)]	43	17	**60**	45	18	**63**
Innovexa AB[2)]	3	1	**4**	3	1	**4**
me&i						
Meandi AB	0	1	**1**	0	1	**1**
Meandi Holding	2	19	**21**	3	18	**21**
Meandi AS	0	0	**0**	0	0	**0**
Meandi GmbH	1	0	**1**	0	1	**1**
Meandi OY	0	1	**1**	0	1	**1**
NMP						
Naturamed-Pharma AB	0	0	**0**	3	3	**6**
Naturamed-Pharma AS	5	17	**22**	5	18	**23**
Pharmapolar AS	0	0	**0**	1	2	**3**

	2018			2017		
	Men	Women	Total	Men	Women	Total
S:t Eriks[3]						
S:t Eriks Group AB	2	0	**2**	–	–	**–**
S:t Eriks AB	320	42	**362**	–	–	**–**
Nordskiffer AB	4	3	**7**	–	–	**–**
S:t Eriks Norge AS	1	0	**1**	–	–	**–**
Stenteknik i Karlstad AB	24	3	**27**	–	–	**–**
Vinniga Cementvarufabrik AB	34	0	**34**	–	–	**–**
Tornum						
Tornum Sweden	**53**	**9**	**62**	**43**	**10**	**53**
Tornum Finland	1	0	**1**	1	0	**1**
Tornum Poland	10	3	**13**	10	3	**13**
Tornum Hungary	3	0	**3**	3	0	**3**
Tornum Romania	6	0	**6**	7	0	**7**
Tornum Russia	3	1	**4**	2	1	**3**
Tornum Bulgaria	0	0	**0**	1	0	**1**
Tornum Ukraine	8	1	**9**	6	1	**7**
Tornum Thailaind	1	0	**1**	0	0	**0**
Silokonsult Göran Persson AB [4]	5	0	**5**	2	0	**2**
Lidköpings Plåtteknik	7	0	**7**	7	0	**7**
	1,511	**645**	**2,157**	**1,076**	**674**	**1,750**

1) Akademibokhandeln was consolidated on 1 July 2017 and the number of employees for the period of consolidation into Volati is therefore shown as full-time equivalents (FTEs).

2) T-Emballage Thureson AB and Innovexa AB were consolidated on 10 November 2017 and the number of employees for the period of consolidation into Volati is therefore shown as FTEs.

3) S:t Eriks was consolidated on 1 September 2018 and the number of employees for the period of consolidation into Volati is therefore shown as full-time equivalents (FTEs).

4) Silokonsult Göran Persson AB was consolidated on 1 July 2017 and the number of employees for the period of consolidation into Volati is therefore shown as full-time equivalents (FTEs).

	2018			2017		
Number of employees per country	Men	Women	Total	Men	Women	Total
Bulgaria	0	0	0	1	0	1
Denmark	6	1	7	8	1	9
Finland	9	3	12	9	3	12
France	2	1	3	3	2	5
Norway	47	23	70	41	26	67
Poland	11	3	14	11	4	15
Romania	6	0	6	7	0	7
Russia	3	1	4	2	1	3
Sweden	1,395	609	2,005	967	632	1,599
UK	4	0	4	4	0	4
Thailand	1	0	1	0	0	0
Germany	13	3	16	12	4	16
Ukraine	8	1	9	6	1	7
Hungary	3	0	3	3	0	3
Austria	2	0	2	2	0	2
	1,511	**645**	**2,157**	**1,076**	**674**	**1,750**

Distribution of senior executives on reporting date, %	2018 Men	2018 Women	2017 Men	2017 Women
Board members	57%	43%	60%	40%
Other members of senior management, including CEO	72%	28%	71%	29%

Salaries and other benefits	2018	2017
Board and CEO, Sweden	32	28
Board and CEO, outside Sweden	5	7
Other employees, Sweden	782	551
Other employees, outside Sweden	65	83
	884	**667**
Of which bonuses to Board and CEO	2	2

Social security contributions	2018	2017
Contractual and statutory social security contributions	281	204
Pension costs for boards and CEOs	8	6
Other pension costs	73	54
	362	**264**

Remuneration of Parent Company Board and senior executives

Volati's Board 2018, SEK million	Salaries	Board fees	Other benefits	Pension cost	Total
Patrik Wahlén, Chairman of the Board[2]	0.8	0.4	–	–	1.2
Karl Perlhagen	–	0.2	–	–	0.2
Björn Garat	–	0.2	–	–	0.2
Anna-Karin Celsing[1]	–	0.2	–	–	0.2
Louise Nicolin	–	0.2	–	–	0.2
Christina Tillman	–	0.2	–	–	0.2
Magnus Sundström[1]	–	0.2	–	–	0.2

Volati's senior executives 2018, SEK million	Basic salary	Variable remun-eration	Other benefits	Pension cost	Total
Mårten Andersson, CEO	1.5	–	0.0	0.3	1.8
Other senior executives (6)	17.5	–	0.1	2.1	19.7

Volati's Board 2017, SEK million	Salaries	Board fees	Other benefits	Pension cost	Total
Karl Perlhagen, Chairman of the Board	0.0	0.2	–	–	0.2
Patrik Wahlén, Board member[2]	1.8	–	–	–	1.8
Björn Garat	–	0.2	–	–	0.2
Louise Nicolin	–	0.2	–	–	0.2
Christina Tillman	–	0.2	–	–	0.2

Volati's senior executives 2017, SEK million	Basic salary	Variable remuneration	Other benefits	Pension cost	Total
Mårten Andersson, CEO	1.5	–	–	0.3	1.8
Other senior executives (8)	12.5	2.8	0.2	2.0	17.5

1) Anna-Karin Celsing and Magnus Sundström were elected to the Board at the 2018 AGM.

2) No fees are paid for Board work. The payment to Patrik Wahlén relates to his salary as an executive of the Company before taking up the post as Chairman of the Board.

Remuneration of the CEO

Pension arrangements

The pension is a defined-contribution plan. There is no contractually agreed retirement age. The CEO has an individual pension, whereby pension contributions can be made as the CEO decides, but the cost of such a pension is deducted from the CEO's salary.

Termination of employment

The reciprocal period of notice is six months. Volati AB does not have any agreements concerning termination benefits for the CEO.

Other senior executives

Variable remuneration

The majority of senior executives are entitled to variable remuneration. A certain business area manager is entitled to variable remuneration which is individually tailored to the business area's operations. Underlying parameters for that manager's variable remuneration are profitability and individually defined parameters. The ceiling for variable remuneration is three months' salary.

Pension arrangements

The majority of senior executives have individual pensions, whereby pension contributions can be made as each particular senior executive decides, but the cost of such a pension is deducted from the executive's salary. One senior executive has special pension arrangements, with monthly contributions to a defined-benefit pension plan, based on an individual plan for which the pension premiums corresponded to about 23 percent of the pensionable salary in 2018. The majority of senior executives have a contractually agreed retirement age of 67.

Termination of employment

Volati AB does not have any agreements concerning termination benefits for any of the senior executives. The majority of senior executives have a a notice period of six months. However, certain senior executives have a notice period of 12 months in the event of termination of employment by the Company.

NOTE 7 Auditors' fees and remuneration

Ernst & Young AB	2018	2017
Audit	5	–
Tax advisory services	0	–
Other services	0	–
	5	**–**

At the 2018 AGM, Öhrlings PricewaterhouseCoopers AB was replaced by Ernst & Young AB as the auditing firm.

Öhrlings PricewaterhouseCoopers AB	2018	2017
Audit	1	4
Valuation services[1)]	–	1
Tax advisory services	0	0
Other services	1	0
	2	**6**

1) SEK 1.1 million in 2017 refers to services in connection with the acquisition of Akademibokhandeln AB, of which SEK 0.2 million is recognised directly in equity.

Other auditors	2018	2017
Audit	0	0
Tax advisory services	0	0
	1	**0**

NOTE 8 Finance income and costs

Finance income	2018	2017
Interest income on bank deposits[1)]	2	1
Exchange gains	19	7
Bond loan remeasurement	7	–
Other finance income	1	0
	29	**8**

Finance costs	2018	2017
Interest expenses on loans[1)]	–7	–3
Interest expenses on bonds[1)]	–38	–16
Interest expenses on finance leases	–3	–2
Interest expenses on derivative contracts	–1	–1
Exchange losses	–17	–7
Other finance costs[2)]	–14	–20
	–80	**–49**

1) Interest income and expenses accounted for using the effective interest method

2) Other finance costs include costs for securing financing, cash handling costs, bank charges, factoring charges, redemption fees for credit card processing, credit sales costs and securities handling costs.

NOTE 9 Tax

	2018	2017
Current tax expense	–55	–58
Deferred tax	13	–6
Tax expense for the year	**–42**	**–63**

Reconciliation of effective tax	2018	2018	2017	2017
Profit before tax	316	–	305	–
Tax at applicable tax rate	–69	22%	–67	22%
Tax at other tax rates	0	0%	0	0%
Non-deductible expenses	–11	3%	–5	2%
Non-taxable income	6	–2%	1	0%
Standard interest on tax allocation reserve	0	0%	0	0%
Temporary differences	1	0%	9	–3%
Use of loss carried forward from current and previous years	20	–6%	5	–2%
Income tax from prior years	0	0%	0	0%
Other	0	0%	0	0%
Recognised effective tax	**–55**	**17%**	**–58**	**19%**

No tax was recognised in equity in 2018 (SEK 0.3 million).

Deferred tax	2018	2017
Property, plant & equipment and intangible assets	8	7
Inventories	–2	–1
Trade receivables	–1	0
Untaxed reserves	12	–13
Unused losses from prior years	–7	3
Remeasurement effect of changed future income tax rates	11	–
Other temporary differences	–7	–2
Deferred tax on temporary differences	**13**	**–6**

Deferred tax assets	2018	2017
Property, plant & equipment and intangible assets	11	12
Inventories	1	3
Unused losses from prior years	31	31
Other temporary differences	15	12
	59	**59**

Deferred tax liabilities	2018	2017
Property, plant & equipment and intangible assets	195	188
Untaxed reserves	85	79
Other temporary differences	7	1
	287	**268**

NOTE 10 Earnings per share

The calculation of earnings per preference and ordinary share for 2018 was based on net profit for the year attributable to the Parent Company's shareholders, which was SEK 272 million (240). The figure for earnings per ordinary share was reduced by the preference shareholders' proportionate share of the dividend for 2018, which was SEK 64 million (64).

Earnings per preference share was based on the dividend adopted for the year until the 2019 AGM, which means a share of earnings of SEK 64 million divided by 1,603,773 preference shares. The remaining portion of the net profit for the year totalling SEK 208 million was divided by the average number of ordinary shares, which was 80,406,571.

Earnings per share	2018	2017
Profit/loss attributable to owners of the Parent	272	240
Deduction for preference share dividend	64	64
Profit/loss attributable to owners of the Parent adjusted for preference share dividend	208	176
Ordinary shares outstanding	80,406,571	80,406,571
Average no. of ordinary shares	80,406,571	80,406,571
Earnings per share	2.58	2.19
Earnings per preference share	40.00	40.00
Average no. of ordinary shares after dilution	80,469,822	80,838,878
Diluted earnings per share	2.58	2.17
Diluted earnings per preference share	40.00	40.00
Preference shares outstanding	1,603,774	1,603,774

NOTE 11 Intangible assets

Cost	Goodwill	Patents/ Technology	Brands/Other	Capitalised development expenses	Total
1 January 2017	**1,592**	**14**	**257**	**161**	**2,024**
Investments	–	–	7	22	28
In new companies on acquisition	594	–	518	118	1,230
Disposals	–	–	–	–5	–5
Reclassifications	–	–	–	0	0
Translation differences	–21	–	–2	0	–24
1 January 2018	**2,165**	**14**	**780**	**295**	**3,253**
Investments	–	–	0	32	32
In new companies on acquisition	163	0	80	–	243
Disposals	–3	–	–	0	–3
Reclassifications	–	–	–	3	3
Translation differences	18	–	1	0	19
31 December 2018	**2,343**	**14**	**861**	**329**	**3,547**

Accumulated depreciation and amortisation	Goodwill	Patents/ Technology	Brands/Other	Capitalised development expenses	Total
1 January 2017	**–90**	**–10**	**–38**	**–46**	**–184**
Amortisation/impairment for the year	–	0	–27	–33	–60
In new companies on acquisition	–	–	–23	–58	–81
Disposals	–	–	–	3	3
Translation differences	2	–	1	0	3
1 January 2018	**–88**	**–11**	**–87**	**–133**	**–319**
Amortisation/impairment for the year	–18	0	–43	–44	–104
In new companies on acquisition	–	0	–	–	–
Disposals	3	–	–	0	3
Reclassifications	–	–	–	1	1
Translation differences	–1	–	0	0	–1
31 December 2018	**–104**	**–11**	**–130**	**–176**	**–421**
Carrying amount					
31/12/2017	2,076	3	692	162	2,934
31/12/2018	2,239	2	731	154	3,126

	2018		2017	
Distribution of the Group's goodwill and other intangible assets with indefinite useful lives	**Goodwill**	**Other intangible assets**	**Goodwill**	**Other intangible assets**
Tornum	53	–	53	–
Corroventa	84	–	84	–
Ettikettoprintcom	91	5	91	5
S:t Eriks	149	32	–	–
Besikta	298	–	298	–
me&i	203	18	202	18
NMP	228	20	223	20
Akademibokhandeln	410	240	410	240
Trading	722	124	715	124
	2,239	**439**	**2,076**	**407**

During impairment testing, goodwill and other intangible assets with indefinite useful lives are allocated to the business areas or business units which are considered to be cash generating units. The goodwill value of each cash generating unit is tested annually against the calculated recoverable amount, which is either the value in use or the fair value less costs of disposal. As at 30 September 2018, all of the holdings had been tested against the value in use.

Value in use

Value in use is calculated as the Group's share of the present value of projected future cash flows generated by the cash generating unit.

The cash flow projection is based on reasonable and verifiable assumptions that represent Volati's best estimate of the economic conditions that will exist, and considerable emphasis is therefore placed on external factors. The assessment of future cash flows is based on forecasts arising from the most recent budgets, projections and business plans submitted by each cash generating unit. These include the budget for the coming years and a projection for the subsequent four to five years. Cash flows after the forecast period are estimated based on an assumption of a long-term annual growth rate of 2 percent after the forecast period.

Cash flow projections do not include cash inflows and outflows from financing activities. The estimated value in use is comparable with the carrying amount of the subsidiary group. Key assumptions used for the calculations include the discount rate, sales growth. EBITDA margins, development of working capital and investment needs. Various assumptions have been made due to each subsidiary group operating as an independent unit with its own unique conditions. The key assumptions used for each subsidiary group are described below. S:t Eriks was acquired in autumn 2018 and was consolidated from 1 September 2018. As one of the profitability criteria was not met at the end of 2018, the additional consideration was remeasured, which led to a goodwill impairment test that resulted in goodwill for S:t Eriks has been written down.

The remeasurement of the additional consideration and the goodwill impairment for S:t Eriks was SEK 14 million and the net of the remeasurement and impairment did not have any effect on the Volati Group's profit after tax. See also note 4 Corporate acquisitions.

Key assumptions used for value in use per cash generating unit

Discount rate

Future cash flows for each cash generating unit have been discounted to present value using a discount rate. Volati has chosen to calculate the present value of cash flows after tax. The discount rate reflects market assessments of the time value of money and the risks specific to each cash generating unit. The discount rate does not reflect such risks that are taken into account when calculating future cash flows. The calculation of the discount rate is based on the company's weighted average capital cost, the company's marginal interest rate on loans and other market interest rates on loans independent from Volati's capital structure. The required rate of return for loan capital is based on an interest expense for risk-free loans of 0.6 percent adjusted for an interest margin of 2.5 percent and a tax rate of 20.6 percent. The required rate of return for equity is based on a risk-free interest rate, adjusted for a market risk premium of 6.6 percent, a company-specific risk premium of 5.0 percent and a beta value for each cash generating unit of between 0.79 and 1.52. The discount rates used by Volati vary between 8.8 and 12.4 percent depending on the conditions for each cash generating unit.

Tornum

The cash flow projection for Tornum have been based on the company's capacity to leverage its market position in the markets where it is established, with local financing and EU grants enabling the start-up of projects in these countries. The key assumptions used to calculate value in use for Tornum are net sales growth, EBITDA margin and investment needs. Volati considers that long-term demand for Tornum's products in the company's established markets continues to be good and that there is an underlying need for modernisation investments in these markets. Based on these factors, Volati assumes that net sales growth will be higher than GDP growth, while the EBITDA margin is expected to remain unchanged during the forecast period. If major macroeconomic events were to occur and adversely impact development and the willingness to invest in Eastern Europe, Russia and Ukraine, the trend could be worse than forecast. The assessment is that no reasonable changes in key assumptions will result in Tornum's calculated value in use falling below the carrying amount.

Corroventa
Corroventa's projected cash flows have been based on the company's ability to obtain returns on investments in developing the product range and to leverage its geographic establishment. The key assumptions used to calculate Corroventa's value in use are net sales growth, EBITDA margin and investment needs. In addition, it is considered likely that the historic frequency and extent of weather-related flooding will continue into future forecast periods. Based on these factors, Volati anticipates that net sales growth will be higher than GDP growth and that the EBITDA margin will increase slightly during the forecast period. If the frequency of weather-related flooding falls during the forecast period, the trend may be below the forecast. The assessment is that no reasonable changes in key assumptions will result in Corroventa's calculated value in use falling below the carrying amount.

Ettikettoprintcom
The forecast cash flows for Ettikettoprintcom have been based on the company's ability to obtain returns on its existing non-current assets and no significant changes to behaviour of the company's major customers. The key assumptions used to calculate Ettikettoprintcom's value in use are net sales growth, EBITDA margin and investment needs. Based on this, Volati assumes net sales growth slightly above GDP growth, while the EBITDA margin is expected to remain unchanged during the forecast period. The assessment is that no reasonable changes in key assumptions will result in Ettikettoprintcom's calculated value in use falling below the carrying amount.

Besikta Bilprovning
The forecast cash flows for Besikta Bilprovning have been based on the company's market position being maintained during the forecast period, the rate of establishments in the market declining over time and the price level of services not being significantly changed. It is also assumed that there will be no significant changes to the regulatory conditions for the company's operations, such as changes to the statutory interval for inspections in Sweden over and above the revised legislation that came into force in 2018, which extended the inspection interval from every 12 months to every 14 months. The key assumptions used to calculate Besikta Bilprovning's value in use are net sales growth, EBITDA margin and investment needs,.and assumptions on new establishments of stations. Based on this, Volati assumes net sales growth in line with GDP growth, while the EBITDA margin is expected to decline a little during the forecast period. The assessment is that no reasonable changes in key assumptions will result in Besikta's calculated value in use falling below Volati's carrying amount.

me&i
me&i's projected cash flows have been based on the company's presence in a number of European markets with an established sales organisation that ensures that the company's existing major markets are stable and that there is growth potential particularly in Germany An important assumption is that the company will maintain its historical level of recruitment of new salespersons. The key assumptions used to calculate me&i's value in use are net sales growth, EBITDA margin, the recruitment rate for new salespersons and depletion of the existing sales force. Based on these factors, Volati expects growth in net sales to be well above GDP growth, while the EBITDA margin is expected to strengthen slightly during the forecast period. If there are any material changes to the rate of recruitment of new salespersons or depletion of existing salespersons, this could result in the company's value in use falling below Volati's Group's carrying amount. If changes occur that cause the company's EBITDA margin to be two percentage points below the forecast each year, this would indicate a potential impairment loss of approximately SEK 30 million. An upward adjustment of the discount rate by one percentage point would indicate an impairment loss of SEK 18 million. If the assumption for long-

term growth is halved from two percent to one percent, this would indicate a potential impairment loss of SEK 14 million. In the event of a significant change in the number of sellers or the productivity of the existing sellers compared with the forecast development, the potential impairment loss could be even higher. The total value of me&i's net assets on the testing date was SEK 222 million.

NaturaMed Pharma

NaturaMed Pharma's projected cash flows have been based on the company having an existing customer base in the Nordic countries with a historical subscription behaviour that enables NaturaMed Pharma to market its products to the relevant target groups in a cost-efficient manner, thereby retaining and expanding its subscription base. The key assumptions used to calculate NaturaMed Pharma's value in use are recruitment and depletion in terms of the subscription trend and cost efficiency of marketing. Based on these factors,Volati expects net sales growth to be in line with GDP growth, while the EBITDA margin is expected to be stable during the forecast period. If changes occur that cause the company's EBITDA margin to be four percentage points below the forecast each year, this would indicate a potential impairment loss of approximately SEK 46 million. An upward adjustment of the discount rate by one percentage point would indicate an impairment loss of SEK 17 million. If the assumption for long-term growth is halved from two percent to one percent, this would indicate a potential impairment loss of SEK 11 million. In the event of significant changes to the regulatory conditions for the company's operations in terms of restrictions on marketing or permitted ingredients in products, the potential impairment loss could be even higher. The total value of NMP's net assets on the testing date was SEK 268 million.

Trading

Trading is treated as one unit as its components largely share the same platform. The projected cash flows for Trading have been based on the fact that the companies can benefit from their market position in the Nordic region, while the underlying economy does not decline significantly. The key assumptions used to calculate value in use for Trading are net sales growth and EBITDA margin. Volati estimates that long-term demand for Trading products in the markets where the Company is established is relatively good. Based on this, Volati assumes that growth in net sales will be higher than GDP growth, while the EBITDA margin is expected to be stable during the forecast period. If major macroeconomic events were to occur and adversely impact development and the willingness to invest in the Nordic region, the trend could be worse than forecast. The assessment is that no reasonable changes in key assumptions will result in Trading's calculated value in use falling below the carrying amount.

Akademibokhandeln

The forecast cash flows for Akademibokhandeln have been based on the company's ability to benefit from its strong market position in Sweden, with customer behaviour not changing at a faster rate than historical developments regarding formats or channels for book sales. The key assumptions used to calculate value in use for Akademibokhandeln are net sales growth and EBITDA margin. Volati estimates that long-term demand for Akademibokhandeln's products in the markets where the company is established is relatively good. Based on these factors,Volati expects net sales growth to be in line with GDP growth, while the EBITDA margin is expected to be stable during the forecast period. If significant market events have a negative effect on development and cause the company's EBITDA margin to be one percentage point below the forecast each year, this would indicate a potential impairment loss of approximately SEK 89 million. If the assumption for long-term growth is halved from two percent to one percent, this would indicate a potential impairment loss of SEK 21 million. An upward adjustment of the discount rate by one percentage point would indicate an impairment loss of SEK 28 million. The total value of Akademibokhandeln's net assets on the testing date was SEK 832 million.

Sensitivity analysis

The value in use for each cash generating unit is dependent on the assumptions used to calculate discounted cash flows. Volati has made simulations of value in use in the event of changes to key assumptions used for the calculation. When testing the carrying amount in relation to value in use with an assumption of an EBITDA margin that is twenty percent below the forecasts for all years in the forecast period, the value in use for me&i, NMP and Akademibokhandeln would be lower than the carrying amount. For corresponding testing of growth after the end of the forecast period, i.e. year 5 and beyond, annual growth of one percent rather than the forecast's two percent would result in the value in use for me&i, NMP and Akademibokhandeln being lower than the carrying amount. In a simulation where the discount rate is increased by one percentage point, the value in use for me&i, NMP and Akademibokhandeln being lower than the carrying amount.

Impairment

No impairment was identified in 2018 or 2017 after comparing the value in use for the companies with the Group's carrying amount for each cash generating unit.

NOTE 12 Property, plant & equipment

Cost	Land and buildings	Machinery and equipment	Equipment with finance leases	Total
1 January 2017	**59**	**328**	**83**	**470**
Investments	0	33	10	43
In new companies on acquisition	–1	300	26	326
Sales/disposals	–2	–12	–12	–27
Reclassifications	1	–1	–	0
Translation differences	–	–1	0	–2
1 January 2018	**57**	**647**	**107**	**811**
Investments	2	47	32	80
In new companies on acquisition	62	102	11	174
Sales/disposals	–	–37	–25	–62
Reclassifications	–	2	0	2
Translation differences	–	1	0	1
31 December 2018	**120**	**762**	**125**	**1,007**

Accumulated depreciation				
1 January 2017	**–18**	**–228**	**–33**	**–279**
Depreciation for the year	–2	–35	–16	–53
In new companies on acquisition	0	–257	–2	–258
Sales/disposals	1	10	8	19
Reclassifications	0	0		0
Translation differences	–	1	0	1
1 January 2018	**–19**	**–508**	**–43**	**–570**
Depreciation for the year	–3	–53	–26	–82
In new companies on acquisition	–	–	–	–
Sales/disposals	–	36	20	56
Reclassifications	–	–5	0	–6
Translation differences	–	–1	0	–1
31 December 2018	**–22**	**–531**	**–49**	**–602**

Carrying amount				
31/12/2017	38	139	64	241
31/12/2018	98	230	76	404

NOTE 13 Non-current financial assets

Other shares and interests	2018	2017
Opening cost	6	4
Shares and participations in acquired companies	–	2
Investments	1	–
Disposals	0	–
Reclassification	–2	–
	5	**6**

Other non-current financial assets	2018	2017
Opening cost	4	4
Reclassification	2	–
Investments	–	0
Disposals	–4	0
Other	0	0
	2	**4**

NOTE 14 Inventories

	2018	2017
Raw materials and supplies	85	65
Products in progress	2	1
Finished goods and merchandise	767	520
Work in progress for third parties	9	2
Advances to suppliers	32	21
	895	**610**

NOTE 15 Prepayments and accrued income

	2018	2017
Accrued supplier bonus	21	21
Accrued income, percentage of completion projects	32	40
Prepaid rent	63	53
Prepaid leases	6	3
Prepaid insurance	4	4
Other prepayments	43	29
Other interim receivables	15	4
	186	**154**

NOTE 16 Interest-bearing liabilities

Non-current liabilities	2018	2017
Bond liabilities	893	908
Finance leases	49	40
Liabilities to shareholders	25	23
	967	**972**

Current liabilities	2018	2017
Overdraft facilities	114	84
Liabilities to credit institutions[1)]	100	
Finance leases	26	22
Other interest-bearing liabilities	0	1
	241	**106**

1) See note 21 for information about contractual dates for interest-rate renegotiations.

At the end of 2018, the unutilised portion of the overdraft facility was SEK 160 (189) million, the unutilised portion of the revolving credit facility was SEK 450 (550) million and cash & cash equivalents were SEK 241 (438) million .

NOTE 17 Changes to loans in cash flow from financing

	2018	2017
1 January	1,195	220
Loans in acquired companies	163	599
Repayment of loans in acquired companies	–114	–
Borrowings	179	593
Repayments	–93	–263
Remeasurement to market value	–48	19
Translation differences	0	1
Other non-cash changes	32	27
31 December	**1,315**	**1,195**

NOTE 18 Contract assets and liabilities

Contract assets	2018	2017	Classification in statement of financial position
Accrued income from projects	7	16	Prepayments and accrued income
	7	**16**	

Contract liabilities	2018	2017	Classification in statement of financial position
Short-term advances for inspection services	11	17	Advances from customers
Short-term advances for other services[1)]	37	25	Advances from customers
Provisions for extended warranties	3	3	Warranties and other provisions
	51	**45**	

1) Other services are mainly installations, assembly and paving.

The reduction in contract assets from SEK 16 million in 2017 to SEK 7 million in 2018 is mainly due to a lower level of outstanding unfinished projects at the end of 2018. The increase in contract liabilities from SEK 45 million in 2017 to SEK 51 million in 2018 is mainly due to an increase in outstanding projects with contractual terms that require advance payments.

SEK 42 million of the closing contract liabilities of 45 million in December 2017 was recognised as revenue during the year. None of the revenue recognised during the year relates to performance obligations satisfied during previous periods.

The absolute majority of remaining performance obligations fall due within one year of the reporting date.

NOTE 19 Warranty commitments and other provisions

	2018	2017
Closing balance, 31 Dec 2017	6	6
IFRS 15 transition effect	–1	–
Opening balance, 1 Jan 2018	**5**	**6**
Warranty provisions in acquired companies	5	2
This year´s provisions	1	0
Provisions used	–1	–1
Reversal of unused provisions	0	–1
Translation differences	–	0
Closing balance, 31 Dec 2018	**10**	**6**

In some contracts, a business unit in the Group provides service warranties of up to ten years in addition to fixing defects that existed at the time of sale, previously accounted for in accordance with IAS 37. Under IFRS 15, such service warranties are treated as separate performance obligations, whereby part of the revenue is allocated and apportioned over the term of the obligation. The financial position reported for 31 December 2017 was adjusted in the opening balance for 2018, which resulted in reversed provisions of SEK 1 million being recognised in equity attributable to the transition to IFRS 15, as shown in the table above.

NOTE 20 Accruals and deferred income

Accrued expenses	2018	2017
Accrued personnel expenses	214	175
Accrued customer bonuses	57	41
Accrued interest expenses	7	2
Accrued rental discounts	25	–
Accrued cost of goods sold	29	8
Accrued audit expenses	4	3
Other	41	34
	377	**263**
Deferred income		
Other	2	1
	2	**1**
Total	**379**	**265**

NOTE 21 Financial risk management and financial instruments

The Volati Group is exposed to various types of financial risk in the course of its operations. Some of Volati's operations are conducted outside Sweden. This exposes the Group to several different types of financial risks which could result in fluctuations in net profit, cash flow or equity, due to exchange rate movements. In addition, Volati has exposure in the form of loan financing with floating interest expenses and various risks associated with the duration of financing. The Parent Company manages the financial risks attributable to loan financing. For currency risks, each business unit has its own procedures for when and how to manage currency exposure.

CREDIT RISK

Credit risk involves exposure to losses if a counterparty fails to discharge its financial obligations to the Group. If counterparties are unable to fulfil their financial obligations to the Group, this may have a negative effect on the Company's operations, financial position and earnings.

In its ongoing sales, Volati is exposed to credit risk in outstanding trade receivables. This risk is reduced as some companies in the Group have trade receivables with a short expected maturity, distributed among a large number of customers at low amounts per customer and measured, without discounting, at the amounts initially invoiced less allowances for expected losses. In addition, the risk in some larger and longer projects is reduced by means of credit insurance. Historically, overall customer losses have been low throughout the Group. The total gross value of outstanding trade receivables at 31 December was SEK 569 (463) million. These were written down by a total of SEK –10 (–8) million. The age analysis of trade receivables at 31 December and the Group's loss allowance policy is described later in this note.

CURRENCY RISK

Volati's main currency risks are associated with the translation of equity and earnings in foreign subsidiaries, and the effect on earnings of the flows of goods between countries with different currencies.

Currency risk is based on exchange rate changes having an impact on the Company's earnings, and arises when transactions take place in foreign currency, i.e. when the Group makes purchases or sales in foreign currency, and when assets and liabilities are held in foreign currency. When consolidating foreign subsidiaries, the relevant country's currency is translated to Swedish kronor, which may have a negative effect on the Group's financial position. Large amounts of purchases are from suppliers in countries with different currencies, while many customer sales are in another currency. Future currency fluctuations can therefore have a negative effect on the Group's earnings and financial position. Volati's main exposure is to USD, EUR and NOK. USD exposure is due to a certain proportion of the Group's purchases being transacted in this currency, while revenue in USD is considerably lower. The Group's total exposure to EUR is mainly due to net purchases outweighing revenue in EUR, but the exposure varies from business area to business area, which means that financial development for a business area can be affected by EUR exchange rate movements. Exposure to NOK is related to revenue in NOK being significantly higher than expenditure. From time to time, the business units may use financial instruments to temporarily hedge their cash flows.

TRANSACTION EXPOSURE

As the Group's companies have revenues and expenses in different currencies, it is exposed to risks associated with currency fluctuations. Transaction risks are managed in the business units based on each business unit's circumstances, risks and controls, which are formulated and adopted separately for each subsidiary. Some of the business units engage in active currency hedging, whereby purchases and income are hedged to varying degrees by forward exchange contracts. The degree of currency hedging varies from business unit to business unit, mainly in terms of the companies' ability to transfer currency exposures to customers or suppliers. At the reporting date, there were some minor forward exchange contracts with a total nominal value of SEK 42 million, in which USD was hedged against SEK with durations of two to six months.

The table below shows the Group's net currency exposure to customers and suppliers at the reporting date (customers + and suppliers -) in the largest currencies.

Net currency exposure to customers and suppliers in the major currencies	**Currency exposure 2018**	**2017**
EUR	–59	–34
SEK	–14	–14
USD	–17	–8
GBP	–8	6
CNY	–3	–1
NOK	1	3

TRANSLATION EXPOSURE

Volati AB presents its income statements and balance sheets in SEK. Foreign companies have different presentation currencies. This means that the Group's earnings and equity are exposed during consolidation when foreign currencies, primarily EUR, NOK, DKK, GBP and PLN, are translated to SEK. At the reporting date, there was a significant amount of translation exposure primarily related to NOK exposure arising from acquisitions of business units in Trading and Consumer. Although Volati AB can hedge its translation exposure by borrowing in matching currencies, equity hedging had not been used at the reporting date.

The table below shows the Group's translation exposure in equity in the three largest currencies at the reporting date.

Translation exposure in equity in the balance sheet, major currencies	Currency exposure	
	2018	**2017**
NOK	390	362
EUR	189	176
DKK	39	35

The table below shows the impact on the Group's EBITA in the event of a 10 percent decline in the Swedish krona against the three largest currencies, with all other variables remaining constant.

Translation exposure in the income statement, major currencies	Currency exposure	
	2018	**2017**
NOK	–3	–2
PLN	1	0
EUR	–1	0
DKK	0	0

CAPITAL RISK

The Group strives to achieve a solvency ratio that enables it to conduct operations in accordance with the strategic plan. However, the solvency ratio for the entire Group is not a true indicator of the Company's assessment of its financial position as it does not take into account the value growth of underlying holdings when calculating equity. The capital structure reflects the Group's relatively low operational risks. The level of debt gives scope for generating a good return for shareholders, while equity is sufficient to safeguard the Group's long-term ability to continue operating. Cash and cash equivalents that cannot be invested in accordance with the Company's objectives and investment strategy are distributed to the owners within the framework of Volati's dividend policy.

INTEREST RATE RISK

Interest rate risk is the risk that the Volati's net financial items will be affected by changes in market interest rates. In the longer term, interest rate changes will have a significant effect on Volati's earnings and cash flow. The Group's total interest expenses for bank loans and bonds for the financial year 2018 amounted to SEK 45 (19) million. The average interest rate level for bank loans at 31 December 2018 was 2.0 percent, while for the Volati AB bond it was 3.5 percent and for the Akademibokhandeln bond 6.0 percent. If the prevailing interest rates were to change and/or the Company failed to pay interest in the future, the Company's operations, earnings and financial position could be adversely affected. The majority of the Group's loan liabilities are at variable interest rates or with a duration of up to three months. Based on the loan volumes at the reporting date, a change of one (1) percentage point in the borrowing interest rate would have an effect of SEK 7 million on Volati's profit after tax. Volati continuously monitors interest rate trends and, on this basis, assesses which interest terms are best for the Group in the long and short term.

FINANCING AND LIQUIDITY RISK

Financing risk is defined as the risk of being unable to discharge payment obligations as a result of insufficient liquidity or difficulties in obtaining external financing. Liquidity risk is the risk of the Company being unable to discharge its payment obligations as a result of insufficient liquidity at the due date without a significant increase in the associated cost of obtaining funds. If the Company's sources of financing prove to be inadequate, this could have a material adverse effect on the Group's operations, earnings and financial position.

Volati is dependent on obtaining financing through lenders. The Company's financing needs include both operating activities and preparedness for future investments. The availability of financing is influenced by factors such as general availability of risk capital and the Group's creditworthiness.

Volati manages financing risk at a consolidated level. Volati endeavours to have available cash and cash equivalents or unutilised credit facilities in order to manage any significant disruptions in the financing market. The available liquidity margin varies during the year and is dependent on whether there have been any significant acquisitions or divestments.

Volati's borrowing from credit institutions is mainly in SEK and at floating interest rates. Volati's borrowing from credit institutions consists of two different financing frameworks, one of which is a revolving credit facility of SEK 550 million, with the tranches able to have different maturities, while the other is an overdraft facility of SEK 200 million. SEK 100 million of the revolving credit facility had been used at the reporting date. The revolving credit facility can be used until 31 December 2019. At the end of the year, the unused portion of the overdraft facility amounted to SEK 160 million. The overdraft facility has a duration of 12 months and is automatically extended by another 12 months each year unless the bank has stated otherwise. Loan agreements are dependent on the Company's financial performance meeting certain covenants, including the net debt to EBITDA and EBITDA to net interest income ratios. Volati AB has not breached any covenants during 2018. Akademibokhandeln has a bank overdraft facility of SEK 75 million, which was unused at the reporting date. In addition, Volati has chosen to make certain investments in property, plant & equipment under finance leases. See Note 28 for information about these lease liabilities.

Financing from other lenders essentially consists of subordinated SEK liabilities to credit institutions, with varying terms and mainly at fixed interest rates. Financing from other lenders primarily consists of loans from minority shareholders, referred to as non-controlling interests, in some of the business units, which do not have predefined maturities.

In addition, Volati and its subsidiary Akademibokhandeln Holding issued bonds totalling SEK 908 million in 2017. Volati AB's bond loan, which is unsecured and non-subordinated, has a remaining term of four years with an interest rate of STIBOR (3 months) plus 350 basis points. Akademibokhandeln Holding AB's bond is a senior secured bond loan and has a remaining term of three years with an interest rate of STIBOR (3 months) plus 600 basis points. The loan can be settled by the company for 103 percent of the outstanding loan amount with effect from March 2019. As long as the bond loan is outstanding, there are restrictions on how Volati can take advantage of the cash flow from Akademibokhandeln's operations.

Volati has agreements with shareholders with non-controlling interests in certain business units which include put options on their company shares. Under the shareholder agreements, these shareholders are entitled, under certain conditions and on certain occasions, to sell the shares to Volati at market prices. On the reporting date, these put options were measured at a market value based on a multiple analysis adjusted for the net debt in each business unit. This also means that, as a financial liability corresponding to the market value of these minority shareholdings arose, Volati does not recognise any of their share of net profit for the year as profit attributable to non-controlling interests.

DUE DATES

The due dates for non-interest-bearing and interest-bearing financial assets are mainly within one year.

The liquidity risk table below shows the due dates for Volati's financial assets and liabilities. The amounts in the table are undiscounted and include known future interest payments.The exact amounts are therefore not presented in the balance sheet.

Liquidity risk

	2018			2017		
	Within one year	**1–5 years**	**>5 years**	**Within one year**	**1–5 years**	**>5 years**
Assets						
Cash and cash equivalents	241	–	–	438	–	–
Trade receivables	558	–	–	455	–	–
Other shares and interests	5	–	–	–	–	4
Other non-current financial assets	–	1	2	–	0	6
Derivatives	0	–	–	0	–	–
Liabilities						
Bond liabilities	–36	–968	–	–62	–1,005	–
Liabilities to credit institutions	–104	–1	–	–	–	–
Overdraft facilities	–117	–	–	–87	–	–
Liabilities to shareholders[1)]	–2	–23	–	–	–	–23
Additional consideration	–12	–17	–	–7	–	–
Put options	–30	– 41	–	–	–	–98
Finance leases	–26	–45	–4	–22	–42	–3
Derivatives	0	–	–	0	–	–
Other current liabilities	–32[3)]	–	–	–32[2)]	–	–
Trade payables	–706	–	–	–607	–	–
Net	**–260**	**–1,096**	**–2**	**76**	**–1,046**	**–115**

1) All existing shareholder loans have indefinite due dates. Interest on existing shareholder loans is capitalised quarterly.

2) Refers to adopted dividend to preference shareholders for Q1 and Q2 2018. A new resolution on dividends to preference shareholders was passed at the 2018 AGM.

3) Refers to adopted dividend to preference shareholders for Q1 and Q2 2019. A new resolution on dividends to preference shareholders was passed at the 2019 AGM.

Financial instruments: carrying amounts and fair values by measurement category

	2018			2017		
	IFRS 9 category[1)]	Carrying amount	Fair value	IAS 39 category[2)]	Carrying amount	Fair value
Financial assets						
Other shares and interests	2	5	5	8	4	4
Other non-current financial assets	1,2	2	2	6	6	6
Derivatives held for trading	2	0	0	7	0	0
Trade receivables	1	558	558	6	455	455
Cash and cash equivalents	1	241	241	6	438	438
Financial liabilities						
Bonds	4	893	911	9	908	941
Loans from credit institutions	4	102	102	9	–	–
Derivatives held for trading	5	0	0	7	0	0
Trade payables	4	706	706	9	607	607
Additional consideration	5	29	29	7	7	7
Put options	6	71	71	11	98	98
Other current liabilities	4	32	32	9	32	32

1) applicable IFRS 9 categories
1 = Financial assets at amortised cost
2 = Financial assets at fair value through profit or loss
3 = Financial assets at fair value through OCI
4 = Financial liabilities at amortised cost
5 = Financial liabilities at fair value through profit or loss
6 = Financial liabilities at fair value through equity

2) applicable IAS 39 categories
6 = Loans and receivables
7 = Financial instruments at fair value through profit or loss
8 = Available-for-sale financial assets
9 = Financial liabilities at amortised cost
10 = Derivatives – hedging accounting
11 = Put options at market value of underlying asset

The fair value of non-current borrowing is based on observable data from discounted cash flows to market interest rates, while the fair value for current receivables and liabilities is considered to correspond to the carrying amount. As interest charges are variable in relation to the debt, the carrying amount represents the fair value.

Financial instruments measured at fair value

	2018				2017			
	Carrying amount	Quoted prices	Observ-able inputs	Unobserv-able inputs	Carrying amount	Quoted prices	Observ-able inputs	Unobserv-able inputs
Financial assets								
Derivatives	0	0	–	–	0	0	–	–
Financial liabilities								
Derivatives	0	0	–	–	0	0	–	–
Put options	71	–	–	71	98	–	–	98
Additional consideration[1]	29	–	–	29	7	–	–	7

[1] Additional consideration is often contingent on the financial performance of the acquired business over a specific period and is measured on the basis of management's best estimate. Discounting to present value is applied for large amounts or long durations.

Derivatives outstanding at 31 December

	31 December 2018			31 December 2017		
Instruments	Positive market value	Negative market value	Nominal value	Positive market value	Negative market value	Nominal value
Currency derivatives	0	0	42	0	0	5
Total	**0**	**0**	**42**	**0**	**0**	**5**

Trade receivables

	2018	2017
Trade receivables	569	463
Allowance for expected credit losses[1]	–10	–8
	558	**455**

[1] Includes allowance for expected credit losses attributable to contract assets of SEK 0.05 million.

	2018			2017		
Maturity analysis Trade receivables	Nominal	Impairment	Carrying amount	Nominal	Impairment	Carrying amount
Not past due	456	–1	455	381	–	381
Past due, less than 3 months	92	0	91	65	–1	64
Past due, more than 3 months	21	–9	12	18	–8	10
Total	**569**	**–10**	**558**	**463**	**–8**	**455**

As the Group includes companies within widely differing sectors, there is no general scale for loss allowances. Instead, the loss allowance is assessed for each business unit. The allowance is distributed as follows: receivables not overdue, less than one percent, up to 30 days, about one percent to a few percent, between 30–60 days, a few percent to 50 percent, and over 90 days, often 100 percent.

Loss allowance

The Volati Group has moved from the incurred loss model to the expected loss model, which means that the decline in value is recognised earlier. Volati applies the simplified approach for trade receivables. As the Group's business units operate in very different sectors and have different counterparties as customers, from government authorities to private individuals in other countries, the calculation basis for the loss allowance also differs. The underlying calculation for the loss allowance has therefore been adapted to each business unit. Generally, expected credit losses on trade receivables have been estimated for all companies using a provision matrix, which is based on the debtor's payment history, and an analysis of the debtor's current financial position, adjusted for factors specific to the debtor, the general economic situation in the debtor's industry and an assessment of both current and forecast conditions on the reporting date.

The average credit period differs greatly within the companies in the Group, from a large proportion of advance payments in certain operations to over 90 days in other business units, but the majority have payment terms of 30 days. No interest is charged on outstanding trade receivables. The Group writes off a trade receivable when there is information that indicates that the debtor is in financial hardship and there are no realistic prospects of recovery, e.g. when the debtor has gone into liquidation or has filed for bankruptcy.

Year's change in allowance for expected credit losses on trade receivables and contract assets	2018	2017
Opening balance	8	6
Acquisitions and disposals	0	0
Established losses	–1	1
Reversal of unused amounts	–1	–1
Allowance for expected credit losses[1)]	4	2
Currency effects	0	0
Closing balance	**10**	**8**

1) Includes allowance for expected credit losses attributable to contract assets of SEK 0.0 5 million.

Trade receivables by currency	2018	2017
SEK	450	336
EUR	36	38
GBP	6	9
USD	2	6
PLN	5	6
HUF	1	–
NOK	57	56
DKK	10	12
Other currencies	2	1
	569	**463**

NOTE 22 Leases

The Group's operating lease payments and future lease payments:

Operating lease payments	2018	2017
Paid during the year	285	168
Payments within one year	278	216
Between one and five years	565	366
After five years	257	63
	1,385	**812**

The Group's finance lease obligations are for a small number of machines and vehicles for which Group companies have signed leases with terms of up to ten years.

Finance leases	2018	2017
Present value of lease contracts that expire:		
Within 1 year	17	22
1-5 years	48	39
After 5 years	10	2
	75	**62**
Future minimum lease payments		
Within 1 year	27	22
1-5 years	48	42
After 5 years	5	3
	80	**67**
Future lease payments and their present values		
Future minimum lease payments	80	67
Interest charges	–5	–5
Present value of future minimum lease payments	**75**	**62**

NOTE 23 Pledged assets and contingent liabilities

Pledged assets	2018	2017
Finance leases	38	62
Pensions	2	2
Bank guarantee	75	–
Shares in subsidiaries[1)]	795	837
	910	**901**

Contingent liabilities	2018	2017
Rental guarantee	15	18
Other obligations[2)]	2	12
	17	**30**

[1)] Shares pledged for bond. The carrying value of the liability is SEK 308 million.

[2)] Other obligations consist of customs bonds.

NOTE 24 Investments in group companies

Subsidiary, corp. reg. no., registered office	Number	Holding
Akademibokhandeln		
Volati Bok AB, 559025-8637, Stockholm	7,839,200	97.99%
Akademibokhandeln Holding AB (publ), 559101-0938, Stockholm	8,000,000	100%
Akademibokhandelsgruppen AB, 559013-5033, Stockholm	800,000	100%
Bokhandelsgruppen i Sverige AB, 556204-5004, Stockholm	431,706	100%
Bokus AB, 556493-0492, Stockholm	100	100%
Besikta		
Volati Besiktning AB, 556968-9051, Helsingborg	5,000	100%
Besikta Förvaltning AB, 556848-9404, Helsingborg	5,000	100%
Volati Bil AB, 556873-5665, Helsingborg	1,000	100%
Besikta Bilprovning i Sverige Holding AB, 556910-0943, Malmö	1,000,000	100%
Besikta Bilprovning i Sverige AB, 556865-1359, Malmö	50,000	100%
ClearCar AB, 556862-8290, Malmö	60,158	100%
Corroventa		
Volati Luftbehandling Holding AB, 559046-2239, Bankeryd	960	96%
Volati Luftbehandling AB, 556717-4122, Bankeryd	1,000	100%
Corroventa Avfuktning AB, 556393-4669, Bankeryd	1,000	100%
Corroventa Entfeuchtnung GmbH, Meerbusch, Germany	–	100%
Corroventa Entfeuchtnung GmbH, Austria	–	100%
Corroventa Ltd, Southampton, UK	50,000	100%
Corroventa Finland Oy Ab, Esbo, Finland	100	100%
Corroventa Avfuktning Norge AS, Oslo, Norway	–	100%
Corroventa Déshumidification S.A., Paris, France	–	100%
Corroventa Osuszanie Sp.z.o.o, Poland	250	100%
Ventotech AB, 556699-5485, Bankeryd	142,513	100%
Ettikettoprintcom		
Volati 1 Holding AB, 559026-2282, Malmö	480	96%
Volati Tryck Holding AB, 556656-4786, Malmö	6,096,991	100%
Ettikettoprintcom AB, 556195-2465, Malmö	10,000	100%
Ettikettoprintcom Åtvidaberg AB, 556533-7473, Åtvidaberg	35,520	100%
Ettikettoprintcom Fastighets AB, 556186-7804, Åtvidaberg	30,000	100%

Subsidiary, corp. reg. no., registered office	Number	Holding
Trading		
Volati Parts AB, 559016-1500, Malmö	922	92.2%
Lomond Industrier AB, 556805-9090, Malmö	1,000	100%
Bårebo Nordic AB, 556251-0999, Malmö	10,000	100%
Habo Gruppen AB, 556199-2149, Habo	25,000	100%
Habo Danmark A/S, 10367484, Hinnerup, Denmark	–	100%
Habo Finland OY, 1524026-9, Vanda, Finland	–	100%
Habo Norge AS, 979 746 881, Trondheim, Norway	–	100%
Industribeslag AS, 998 327 865, Trondheim, Norway	–	100%
Thomée Gruppen AB, 556014-1896, Malmö	12,000	100%
Miljöcenter i Malmö AB, 556424-9018, Arlöv	2,000	100%
Miljöcenter Green Technology Hong Kong Limited, 2234277, Hong Kong	100	100%
Volati Agri Supply AB, 556795-4325, Stockholm	1,000	100%
Kellfri Holding AB, 556302-4594, Skara	47,500	95%
Kellfri AB, 556471-9101, Skara	10,000	100%
Oy Kellfri AB, 20299787-6, Helsingfors	1,000	100%
Kellfri Aps, 29404569, Fredericia, Denmark	125	100%
Kellfri Sp.z.o.o, 7752643945, Kutno, Poland	–	100%
Lantbutiken Sverige AB, 556867-7602, Malmö	500	100%
Volati Emballage AB, 559026-0179, Vetlanda	940	94%
T-Emballage Thureson Aktiebolag, 556191-0737, Vetlanda	10,000	100%
Innovexa AB, 556497-9986, Vetlanda	2,000	100%
me&i		
Volati A Holding AB,0559072-8456, Malmö	50,000	65%
Volati Förvaltning AB, 556948-5997, Malmö	100,000	100%
Meandi Holding AB, 556664-2509, Malmö	1,000	100%
Meandi AB, 556853-2765, Malmö	50,000	100%
Meandi Oy, 21313487, Helsingfors, Finland	–	100%
Meandi AS, 993453633, Ullensaker, Norway	–	100%
Meandi Deutschland GmbH, HRB 202660, Wolfenbüttel, Germany	–	100%
Meandi Deutschland Mitte GmbH, HRB 202633, Wolfenbüttel, Germany	–	100%
Meandi Deutschland Süd GmbH, HRB 202688 Wolfenbüttel, Germany	–	100%
NMP		
Volati Life AB, 556968-9077, Hammarö	930	93%
Volati Life Holding AS, Drammen, Norway	300	100%
NaturaMed Pharma AS, Drammen, Norway	–	100%
NaturaMed Pharma AB, 556596-3799, Hammarö	1,000	100%
Pharmapolar AS, 00106007187, Drammen, Norway	100	100%

Subsidiary, corp. reg. no., registered office	Number	Holding
S:t Eriks		
Volati Infrastruktur AB, 559162-9612, Stockholm	500	100%
S:t Eriks Group AB, 556993-9829, Staffanstorp	782,500	100%
S:t Eriks Holding AB, 556793-4970, Staffanstorp	1,000,000	100%
S:t Eriks AB, 556203-4750, Staffanstorp	22,222	100%
NoFo2 AB, 556777-2255, Staffanstorp	100,000	100%
NoFo3 AB, 556777-6736, Staffanstorp	100,000	100%
S:t Eriks Norge AS, 990918635, Slattum, Norway	1,000	100%
S:t Eriks i Töreboda AB, 556510-5524, Staffanstorp	1,000	100%
Stenteknik i Karlstad AB, 556701-9566, Kil	86	100%
Vinninga Cementvarufabrik AB, 556693-3957, Vinninga	300	100%
Nordskiffer AB, 556443-1103, Höganäs	1,000	100%
Håle Stenbrott AB, 556949-2068. Staffanstorp	500	100%
Tornum		
Volati Agri AB, 556744-8955, Skara	960	96%
Tornum AB, 556552-1399, Kvänum	1,000	100%
Oy Tornum AB, 19633318, Paipis, Finland	100	100%
Tornum Polska Sp. z.o.o., 7752500766, Kutno, Poland	100	100%
Tornum Kft., 01-09-880602, Debrecen, Hungary	100	100%
Tornum S.R.L., 24851384, Bukarest, Romania	100	100%
OOO Tornum, 1123444005640, Volgograd, Russia	100	100%
Tornum EOOD, 202029045, Sofia, Bulgaria	100	100%
Tornum LLC, 38908992, Kiev, Ukraine	100	100%
Lidköpings Plåtteknik AB, 556908-3305, Lidköping	500	100%
Tornum Asia Co., Ltd., 0105559188441, Bangkok, Thailand	–	100%
Silokonsult Processteknik Sweden AB, 556369-6581, Skara	1,000	100%
Other		
Fastighetsaktiebolaget Strömsmeden 1 AB, 556750-6117, Stockholm	1,000	100%
LHJHA Förvaltning AB, 556722-1410, Stockholm	300,000	100%
Marum Kontorshus i Väst AB, 556181-7726, Skara	1,000	100%
Oxid Finans AB, 556683-6812, Stockholm	1,000	100%
Piplöken 3 AB, 556714-0123, Stockholm	1,000	100%
Riche Finance S.A, B 71358, Luxembourg	–	90%
Volati 1 AB, 556880-6235, Stockholm	500	100%
Volati 2 AB, 556809-7975, Stockholm	1,051,854	100%
Volati 3 AB, 556947-0064, Stockholm	1,000	100%
Volati Angelo AB, 556151-8258, Stockholm	5,000	100%
Volati Finans AB, 556762-3334, Stockholm	1,000	100%
Volati Italiano AB, 556345-3108, Stockholm	100,000	100%
Volati Ostran AB, 556036-8101, Stockholm	25,000	100%
Volati Tako AB 556495-9327, Stockholm	5,000	100%
Volati Treasury AB, 556847-3399, Stockholm	1,000	100%

NOTE 25 Key assumptions

The most important assumptions about future accounting estimates at the reporting date are as follows:

Goodwill impairment testing
The value of subsidiaries, including goodwill, is tested annually by calculating the recoverable amount, i.e. the value in use for each company. Calculation of these values requires several assumptions about future conditions and estimates of parameters to be made, such as discount rates and future cash flows. The procedure is described in note 11. The assessment is that no reasonable changes in key assumptions will result in the calculated recoverable amount falling below the carrying amount. Although the impairment testing involves assumptions about the future, there is not considered to be a significant risk of material adjustments to the carrying amounts of goodwill during the next financial year.

The carrying amount of goodwill at the end of 2018 was SEK 2,239 million (2,076). In all cases, goodwill reported in the Group has been allocated to each Group company as a further breakdown to a level below this is not considered relevant.

Testing carrying amounts of tax losses
The value of the Group's reported tax losses is based on Volati's expected outcome regarding the Group's opportunities to utilise the losses.

Business acquisitions
Volati acquires businesses on a regular basis. An acquisition analysis is prepared for each acquisition, in which assets and liabilities are measured at fair value. The fair value measurement is to some extent based on management's assessment of the acquired company's future earnings capacity. Certain acquisitions are subject to an additional consideration, which is based on the outcome of the acquired company's earnings during a predetermined period. Management makes regular evaluations of the fair value of the additional consideration that is recognised as a liability, which also includes an assessment of future earnings development for the acquisition. An incorrect assessment can result in the acquired assets and liabilities in the additional consideration being overvalued. Further information can be found in note 4, Corporate acquisitions.

NOTE 26 Events after the reporting period

Volati has entered into a new loan agreement with Nordea for a revolving credit facility and overdraft facility. Part of the amount will be used to finance the subsidiary Akademibokhandeln's early redemption of outstanding bonds. This gives Volati an improved financing structure, extends the loan framework for continued acquisitions and reduces the Company's finance costs by about SEK 15 million per year.

NOTE 27 Related parties

Personnel expenses for Board members and senior executives who are also shareholders are presented in note 6.

During the year, two of the business units leased premises from companies owned by a member of Volati´s Board. Rent for these premises during the year amounted to SEK 5 (5) million. Volati AB's then Chairman of the Board invoiced conference rent amounting to SEK 0.1 million in 2017. All related-party transactions have been conducted at market conditions.

In 2017, Volati 2 AB acquired the shares from the former minority owner and CEO of Ettiketoprintcom, which resulted in the minority in the subsidiary Volati Tryck Holding ceasing and Volati 2 owning 100% of the shares in the subsidiary.

There are loans between minority shareholders of Volati AB's subsidiaries. The loans are on market conditions.

NOTE 28 Alternative performance measures

The new guidelines from the European Securities and Markets Authority (ESMA) on alternative performance measures came into force with effect from the 2016 financial year. Volati is therefore publishing an explanation of how these performance measures should be used, together with definitions and comparisons between the alternative performance measures (APMs) and reporting in line with IFRS.

The financial reports published by Volati include the APMs, which supplement the metrics defined or specified in the applicable rules for financial reporting, such as revenue, profit or loss and earnings per share. APMs are specified when they, in their context, provide clearer or more in-depth data than those metrics defined in the applicable rules for financial reporting. The basis for APMs is that they are used by management to assess financial performance and can thus be considered to give analysts and other stakeholders valuable information.

Volati regularly uses APMs as a complement to the key metrics that comprise generally accepted accounting policies. The APMs derive from Volati's consolidated accounts and do not comprise measures of financial performance or liquidity in accordance with IFRS and, accordingly, should not be considered as alternatives to net income, operating profit or other key metrics that are derived pursuant to IFRS or as an alternative to cash flow as a measure of consolidated liquidity.

The following table sets out definitions for Volati's key figures. The calculation of APMs is presented separately below.

Non-IFRS APMs and key metrics	Description	Reason for use
Organic net sales growth	Calculated as net sales for the period, adjusted for total acquired and divested net sales and currency effects, compared with net sales for the same period the previous year, as if the relevant business units had been owned in the comparative period.	This metric is used by management to monitor the underlying net sales growth in existing operations.
Adjusted net sales	Calculated as net sales for the last 12 months at the reporting date for the companies included in the Group at the reporting date, as if they had been owned for the last 12 months.	Together with adjusted EBITA, adjusted net sales and adjusted EBITDA provide management and investors with a view of the size of the operations included in the Group at the reporting date.
EBITDA	Earnings before interest, taxes, depreciation and amortisation.	Together with EBITA, EBITDA provides a view of the profit generated by operating activities.
Adjusted EBITDA	Calculated as EBITDA for the last 12 months for the companies included in the Group at the reporting date, as if they had been owned for the last 12 months, and adjusted for transaction-related costs, restructuring costs, remeasurement of additional consideration, capital gains/losses on the sale of operations and other income and expenses considered to be non-recurring.	Together with adjusted net sales and adjusted EBITA, adjusted EBITDA provides management and investors with a view of the size of the operations included in the Group at the reporting date.
EBITA	Earnings before interest, taxes and amortisation.	Together with EBITDA, EBITA provides a view of the profit generated by operating activities.

Non-IFRS APMs and key metrics	Description	Reason for use
Adjusted EBITA	Calculated as adjusted EBITDA less acquisition-related amortisation for the last 12 months at the reporting date for the companies included in the Group at the reporting date, as if they had been owned for the last 12 months.	Together with adjusted net sales and adjusted EBITDA, adjusted EBITA provides management and investors with a view of the size of the operations included in the Group at the reporting date.
EBITA excl. items affecting comparability	Calculated as EBITA, adjusted for remeasurement of additional consideration, capital gains/losses on the sale of operations and properties, and other income considered to be non-recurring.	Used by management to monitor the underlying earnings growth for the Group.
EBITA excl. central costs and items affecting comparability	Calculated as EBITA, adjusted for central costs, remeasurement of additional consideration, capital gains/losses on the sale of operations and properties, and other income and expenses considered to be non-recurring.	Used by management to monitor the underlying earnings growth for the operations in the Group.
Organic EBITA growth	Calculated as EBITA excluding central costs and items affecting comparability for the period, adjusted for total acquired and divested EBITA and currency effects, compared with EBITA excluding central costs and items affecting comparability for the same period the previous year, as if the relevant business units had been owned in the comparative period.	Used by management to monitor the underlying earnings growth for existing operations.
Return on equity	Net profit (including share attributable to non-controlling interests) divided by average equity (including share attributable to non-controlling interests).	Shows the return generated on the total capital invested in the Company by all shareholders.
Return on adjusted equity	Net profit (including share attributable to non-controlling interests) less the preference share dividend divided by average equity for the last four quarters (including share attributable to non-controlling interests) less the preference share capital.	Shows the return generated on the ordinary share capital invested in the Company by owners of ordinary shares.
Return on capital employed (ROCE)	EBITA excluding items affecting comparability for the last 12 months divided by average capital employed for the last 12 months.	Shows the return on capital employed generated by each business area and the Group without taking into consideration acquisition-related intangible assets with indefinite useful lives.
Return on capital employed including goodwill (ROCE incl. GW)	EBITA excluding items affecting comparability for the last 12 months divided by average capital employed including goodwill and other intangible assets with indefinite useful lives for the last 12 months.	Shows the return on capital employed generated by each business area and the Group.
Equity ratio	Equity (including share attributable to non-controlling interests) as a percentage of total assets.	The metric can be used to assess financial risk.
Cash conversion	Calculated as operating cash flow for the last twelve months divided by EBITDA.	This cash flow is used by management to monitor the Company's efficiency in managing working capital and ongoing investments.

Non-IFRS APMs and key metrics	Description	Reason for use
Adjusted cash conversion	Calculated as adjusted operating cash flow for the last twelve months divided by EBITDA.	Adjusted cash conversion is used by management to monitor how efficiently the Company is managing working capital and normalised ongoing investments.
Operating cash flow	Calculated as EBITDA less the difference between investments in/divestments of property, plant & equipment and intangible assets, after adjustment for cash flow from changes in working capital.	Operating cash flow is used by management to monitor cash flow generated by operating activities.
Adjusted operating cash flow	Calculated as operating cash flow excluding material investments of a non-recurring nature.	Adjusted operating cash flow is used by management to monitor normalised cash flow generated by operating activities.
Net debt/Adjusted EBITDA	Net debt at the end of the period in relation to adjusted EBITDA for the period.	The metric can be used to assess financial risk.

Calculations of alternative performance measures are presented separately below.

Alternative performance measures	Full year 2018	Full year 2017
Calculation of organic net sales growth		
Net sales	6,084	4,356
Acquired/divested net sales	–1,636	–1,211
Currency effects	–41	–14
Comparative figure for previous year	4,407	3,132
Organic net sales growth, %	**1**	**–2**
EBITA excl. central costs and items affecting comparability		
EBITA	433	377
Adjustment for items affecting comparability	–12	9
EBITA excl. items affecting comparability	**421**	**385**
Adjustment for central costs	57	58
EBITA excl. central costs and items affecting comparability	**478**	**443**
Adjusted net sales		
Net sales, LTM	6,084	4,356
Acquired companies	690	1,291
Adjusted net sales	**6,773**	**5,647**

Alternative performance measures	Full year 2018	Full year 2017
Adjusted EBITA and EBITDA		
EBITDA, LTM	552	459
Acquired companies	30	42
Restructuring costs	–	–
Integration costs	–	–
Transaction costs	3	14
Listing costs, ordinary share	–	0
One-time payments	2	–5
Additional consideration remeasurement	–14	1
Adjusted EBITDA	**573**	**511**
Depreciation/amortisation	–119	–82
Depreciation/amortisation, acquired companies	–18	–14
Adjusted EBITA	**436**	**415**
Calculation of organic EBITA growth		
EBITA	433	377
Adjustment for items affecting comparability	–12	9
Adjustment for central costs	57	58
EBITA excl. central costs and items affecting comparability	**478**	**443**
Total acquired/divested EBITA	–34	–120
Currency effects	–1	–1
Comparative figure for previous year	443	323
Organic EBITA growth, %	**0**	**–18**
Basic earnings per ordinary share		
Net profit attributable to owners of the Parent	272	240
Deduction for preference share dividend	64	64
Net profit attributable to owners of the Parent, adjusted for preference share dividend	208	176
Average no. of ordinary shares	80,406,571	80,406,571
Earnings per ordinary share, SEK	**2.58**	**2.19**
Diluted earnings per ordinary share		
Net profit attributable to owners of the Parent, adjusted for preference share dividend	208	176
Average no. of ordinary shares after dilution	80,469,822	80,838,878
Diluted earnings per ordinary share, SEK	**2.58**	**2.17**
Equity per ordinary share		
Equity at end of period including non-controlling interests	2,567	2,365
Preference capital	828	828
Equity at end of period including non-controlling interests adjusted for preference capital	1,739	1,537
No. of ordinary shares outstanding at end of period	80,406,571	80,406,571
Equity per ordinary share, SEK	**21.63**	**19.11**

Alternative performance measures	Full year 2018	Full year 2017
Calculation of return on equity		
(A) Net profit, LTM, including non-controlling interests	274	241
Adjustment for preference share dividends, including dividends accrued but not yet paid	–64	–64
(B) Net profit, adjusted	210	177
(C) Average total equity	2,473	2,281
(D) Average adjusted equity	1,645	1,453
(A/C) Return on total equity, %	11	11
(B/D) Return on adjusted equity, %	13	12
Calculation of equity ratio		
Equity including non-controlling interests	2,567	2,365
Total assets	5,571	5,006
Equity ratio, %	**46**	**47**
Calculation of operating cash flow and cash conversion		
(A) EBITDA	552	459
Adjustment for non-cash items	–14	
Change in working capital	18	106
Net investments in property, plant & equipment and intangible assets	–81	–52
(B) Operating cash flow	475	513
Adjustment for net investments relating to Besikta Bilprovning's IT system	–	2
Adjustment for issue costs	–	18
(C) Adjusted operating cash flow	475	534
(B/A) Cash conversion, %	86	112
(C/A) Adjusted cash conversion, %	86	116
Calculation of net debt		
Net debt		
Cash and cash equivalents	–241	–438
Unrealised derivative contract assets	0	0
Pension obligations	2	2
Non-current interest-bearing liabilities	974	984
Current interest-bearing liabilities	241	106
Unrealised derivative contracts	0	0
Accrued interest expense	7	2
Pension assets	–2	–2
Adjustment for nominal value of bond liability	–6	–12
Adjustment for shareholder loans	–25	–23
Net debt	**949**	**619**
Adjusted EBITDA	573	511
Net debt/Adjusted EBITDA, x	**1.7**	**1.2**

ROCE %, 2018	Trading	Industry	Akademi-bokhandeln	Consumer	Central costs and other	Volati Group
1) EBITA, LTM	**158**	**144**	**72**	**104**	**–57**	**421**
Capital employed at 31 December 2018						
Intangible assets	936	772	859	844	–	3,126
Adjustment for goodwill, patent/technology, brands	–932	–753	–794	–779	–	–2,972
Property, plant and equipment	54	263	40	31	–	404
Inventories	346	324	196	29	–	895
Trade receivables	292	201	30	36	–	558
Other current receivables	10	26	28	2	–	67
Prepayments and accrued income	38	74	50	23	–	186
Adjustment for non-working-capital-related current receivables	–	–	–	–	–	0
Advances from customers	–2	–60	0	–11	–	–73
Trade payables	–220	–169	–260	–54	–	–706
Accruals and deferred income	–83	–136	–94	–54	–	–379
Other current liabilities	–32	–28	–52	–27	–	–184
Adjustment for non-working-capital-related current liabilities	–	–	–	–	–	18
Adjusted for preference share dividend	–	–	–	–	–	32
Capital employed at 31 December 2018	**407**	**513**	**3**	**40**	**–**	**972**
Adjustment for average capital employed, LTM	25	–177	75	5	0	–72
2) Average capital employed, LTM	**432**	**336**	**78**	**45**	**–**	**900**
ROCE 1)/2)	**37**	**43**	**92**	**233**	**–**	**47**
3) Average capital employed, LTM, incl. goodwill and other intangible assets with indefinite useful lives	**1,284**	**669**	**728**	**817**	**–**	**3,493**
ROCE incl. goodwill 1)/3)	**12**	**21**	**10**	**13**	**–**	**12**

ROCE %, 2017	Trading	Industry	Akademi-bokhandeln	Consumer	Central costs and other	Volati Group
1) EBITA, LTM	**125**	**79**	**105**	**134**	**–58**	**385**
Capital employed at 31 December 2017						
Intangible assets	936	548	879	857		2,934
Adjustment for goodwill, patent/ technology, brands	–933	–527	–814	–783		–2,772
Property, plant and equipment	60	82	43	39		241
Inventories	315	77	189	29		610
Trade receivables	290	99	24	42		455
Other current receivables	7	6	32	3		49
Prepayments and accrued income	35	49	51	18		154
Advances from customers	–2	–46	0	–17		–65
Trade payables	–217	–55	–280	–51		–607
Accruals and deferred income	–83	–44	–67	–53		–265
Other current liabilities	–31	–12	–57	–27		–167
Adjustment for non-working-capital-related current liabilities	–	–	–	–		10
Adjusted for preference share dividend	–	–	–	–		32
Adjusted for accrued non-recurring costs	–	–	–	–		7
Capital employed at 31 December 2017	**377**	**177**	**–1**	**56**		**616**
Adjustment for average capital employed, LTM	–20	–7	57	9		12
2) Average capital employed, LTM	**357**	**170**	**56**	**65**		**629**
ROCE 1)/2), %	**35**	**46**	**187**	**206**		**61**
3) Average capital employed, LTM, incl. goodwill and other intangible assets with indefinite useful lives	**1,033**	**393**	**751**	**823**		**2,643**
ROCE incl. goodwill 1)/3), %	**12**	**20**	**14**	**16**		**15**

NOTE 29 Information about the parent company

Volati AB (publ), corporate reg. no. 5565554317, is a Swedish limited liability company with its registered office in Stockholm. The postal and visiting address of the head office is Engelbrektsplan 1, SE-114 34 Stockholm.

The 2018 consolidated financial statements comprise the Parent Company and its subsidiaries, which together form the Group.

Income Statement, Parent Company

SEK million	Note	2018	2017
Operating income			
Net sales		14	11
Operating expenses			
Other external costs	2	–18	–18
Personnel expenses	3	–27	–31
Other operating expenses		–2	–4
Depreciation of property, plant and equipment		0	0
Operating profit/loss		**–34**	**–42**
Profit/loss from financial investments			
Profit/loss from investments in Group companies	4	500	0
Interest and similar income	5	160	133
Interest and similar expenses	6	–29	–36
Profit after financial items		**598**	**55**
Appropriations	7	–101	87
Tax	8	0	–32
Net profit		**497**	**110**

Statement of Comprehensive Income, Parent Company

SEK million	Note	2018	2017
Net profit and Comprehensive income for the year		497	110

Statement of Financial Position, Parent Company

SEK million	Note	31/12/2018	31/12/2017
ASSETS			
Non-current assets			
Property, plant and equipment	9	0	0
Other shares and interests		1	1
Other non-current financial assets		1	–
Investments in Group companies	10	1,592	280
Total non-current assets		**1,594**	**282**
Current assets			
Receivables from Group companies		4,015	3,927
Prepayments and accrued income		3	3
Other receivables		1	0
Cash and cash equivalents		54	280
Total current assets		**4,072**	**4,209**
Total assets		**5,666**	**4,491**
EQUITY AND LIABILITIES			
Equity	11		
Restricted equity			
Share capital		10	10
Unrestricted equity			
Share premium reserve		2,435	2,435
Retained earnings		301	296
Net profit		497	110
Total equity		**3,244**	**2,851**
Untaxed reserves			
Tax allocation reserve		54	61
Liabilities			
Non-current liabilities			
Interest-bearing bond liability		595	593
Pension liabilities		1	–
Total non-current liabilities		**595**	**593**
Current liabilities			
Liabilities to Group companies		1,509	815
Trade payables		4	4
Current tax liabilities		2	32
Current interest-bearing liabilities		215	86
Other current liabilities		3	1
Accruals and deferred income	13	41	47
Total current liabilities		**1,774**	**986**
Total equity and liabilities		**5,666**	**4,491**

Cash Flow Statement, Parent Company

SEK million	2018	2017
Operating activities		
Operating profit after financial items	598	55
Adjustment for non-cash items		
Depreciation/amortisation	0	0
Reversal of dividend from subsidiary	–500	–
Reversal of financial items	–146	–106
Total adjustments for non-cash items	**–645**	**–106**
Interest paid	–22	–25
Interest received	146	126
Tax paid	–30	0
Cash flow from operating activities before changes in working capital	**47**	**49**
Cash flow from changes in working capital		
Change in receivables	0	1
Change in operating liabilities	–9	–18
Cash flow from changes in working capital	**–9**	**–18**
Cash flow from operating activities	38	32
Investing activities		
Investments in property, plant & equipment	–	0
Investments in subsidiaries[1)]	–1,274	–
Liquidation of subsidiary	–	0
Cash flow from investing activities	**–1,274**	**0**
Financing activities		
New issue of ordinary shares	–	–1
Warrant issue	–	–
Dividends paid	–104	–104
Dividends received	500	500
Change in intra-Group transactions	487	–1107
Repayment of loans	–26	–
Proceeds from borrowings	155	621
Cash flow from financing activities	**1,011**	**–92**
Cash flow for the year	**–226**	**–60**
Cash and cash equivalents at beginning of year	280	340
Cash and cash equivalents at end of year	**54**	**280**

1) During the year, an internal restructuring took place, and the parent company has acquired several subsidiaries mainly at book value, see note 10.

Statement of Changes in Equity, Parent Company

SEK million	Share capital	Share premium reserve	Retained earnings	Net profit	Total equity
Closing balance, 31 Dec 2016	**10**	**2,436**	**324**	**76**	**2,846**
Other appropriations of profits	–	–	76	–76	–
Dividend on ordinary shares	–	–	–40	–	–40
Dividend on preference shares	–	–	–64	–	–64
Quotient value issue, ordinary shares	–	–1	–	–	–1
Comprehensive income for the year	–	–	–	110	110
Closing balance, 31 Dec 2017	**10**	**2,435**	**296**	**110**	**2,851**
Other appropriations of profits	–	–	110	–110	–
Dividend on ordinary shares	–	–	–40	–	–40
Dividend on preference shares	–	–	–64	–	–64
Comprehensive income for the year	–	–	–	497	497
Closing balance, 31 Dec 2018	**10**	**2,435**	**301**	**497**	**3,244**

Notes to the Parent Company's accounts

NOTE 1 Accounting policies

The Parent Company has prepared its annual report in accordance with the Swedish Annual Accounts Act (1995:1554) and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities and statements from the Swedish Financial Reporting Board's Emerging Issues Task Force. RFR 2 requires the Parent Company, as a legal entity, to prepare separate financial statements in accordance with International Financial Reporting Standards (IFRS) and statements adopted by the EU to the extent allowed within the framework of the Swedish Annual Accounts Act, and taking into account the relationship between tax expense and accounting profit. The recommendation also specifies exceptions from and additions to IFRS. Differences between the Group's and the Parent Company's accounting policies are described below.

The accounting policies described below have been applied consistently to all periods presented in the Parent Company's financial statements.

Revenue recognition

Dividends to the Parent Company are recognised as revenue.

Property, plant and equipment

The Parent Company recognises property, plant and equipment at cost less accumulated depreciation and impairment.

Depreciation

Depreciation is applied on a straight-line basis over the useful life of the asset.

	Number of years
Equipment	3–10

The residual values and useful lives of assets are reviewed annually.

Group contributions

The Parent Company recognises Group contributions paid and received as appropriations in the income statement.

Tax

Deferred tax assets arising from tax loss carryforwards or other future tax deductions are recognised to the extent that it is likely that the loss can be offset against future profits.

Investments in subsidiaries

The Parent Company only recognises an impairment loss on the carrying amount of investments in subsidiaries when the value of a subsidiary is less than its value in use, as described in Group note 11.

NOTE 2 Auditors' fees and remuneration

Ernst & Young AB	2018	2017
Audit	1	–
Other auditing services	0	–
Tax advisory services	0	–
	1	**–**

At the 2018 AGM, Öhrlings PricewaterhouseCoopers AB was replaced by Ernst & Young AB as the auditing firm.

Öhrlings Pricewaterhouse Coopers AB	2018	2017
Audit	0	1
Other auditing services	1	–
	1	**1**

The items 'audit' and 'other auditing services' comprise examination of the annual financial statements, accounting records and administration of the business by the CEO and Board, other procedures required to be carried out by the Company's auditors and advice or other assistance relating to observations made during the performance of these other procedures. Anything else is classified as other services.

NOTE 3 Employees and personnel expenses

The average number of employees in the Parent Company was 8 (11), of which 5 (8) were men. In 2018, six of the senior executives were employed by the Parent Company. One is employed by the Group (Akademibokhandeln).

	2018	2017
Salaries and other benefits		
Board and CEO	4	4
Other employees	13	16
	17	**21**
Social security contributions		
Contractual and statutory social security contributions	5	7
Pension costs, Board and CEO (incl. payroll tax)	0	0
Other pension costs	2	2
	8	**9**

NOTE 4 Profit/loss from investments in subsidiaries

	2018	2017
Dividends from subsidiaries	500	500
Impairment of shares in subsidiaries	0	–500
	500	**0**

NOTE 5 Interest and similar income

	2018	2017
Interest income from Group companies	160	133
Interest income from bank deposits	0	0
	160	**133**

NOTE 6 Interest and similar expenses

	2018	2017
Interest expenses to Group companies	–1	–24
Interest expenses on bonds	–20	–1
Interest expenses on loans	–5	–1
Other interest expenses	0	0
Exchange losses	–2	–4
Other finance costs	–2	–5
	–29	**–36**

NOTE 7 Appropriations

	2018	2017
Group contributions paid	–108	–65
Group contributions received	–	201
Change in tax allocation reserve	7	–48
Change in accelerated depreciation	0	–
	–101	**87**

NOTE 8 Tax

	2018	2017
Current tax expense	0	–32
Deferred tax	–	–
Tax expense for the year	**0**	**–32**

Reconciliation of effective tax	**2018**	**2017**
Profit before tax	497	142
Tax at applicable tax rate	–109	–31
Tax effect of non-taxable income	110	110
Tax effect of non-deductible expenses	–1	–111
Tax effect, other	0	0
Recognised effective tax	**0**	**–32**

NOTE 9 Property, plant and equipment

Equipment	2018	2017
Accumulated cost		
Opening cost	**1**	**0**
Investments	–	0
Closing accumulated cost	**1**	**1**
Accumulated scheduled depreciation for the year		
Opening depreciation	**0**	**0**
Depreciation for the year	0	0
Disposals		
Closing accumulated depreciation	**0**	**0**
Closing scheduled residual value	0	0

NOTE 10 Investments in Group companies

Accumulated cost	2018	2017
January 1	280	780
Investment[1)]	1,274	–
Shareholder contributions	37	–
Impairment	–	–500
December 31	**1,592**	**280**

			Carrying amount	
Subsidiary, corp. reg. no., registered office	**Number**	**Holding**	**2018**	**2017**
Volati Treasury AB, 556947-3399, Stockholm	1,000	100%	30	280
Volati 1 AB, 556880-6235, Stockholm	500	100%	471	–
Volati 2 AB, 556809-7975, Stockholm	1,051,854	100%	13	–
Volati 3 AB, 556947-0064, Stockholm	1,000	100%	263	–
Marum Kontorshus i Väst AB, 556181-7726, Skara	1,000	100%	9	–
Volati Finans AB, 556762-3334, Stockholm	1,000	100%	72	–
Volati Parts AB, 559016-1500, Stockholm	1,000	92%	484	–
Volati Bok, 559025-8637, Stockholm	8,000,000	95%	249	–
			1,592	**280**

1) During the year, an internal restructuring took place, and the parent company has acquired several subsidiaries mainly at book value.

NOTE 11 Equity

Dividend
In 2018, Volati AB distributed SEK 40 (40) million to holders of ordinary shares and SEK 64 (64) million to holders of preference shares.

Retained earnings
Retained earnings comprise unrestricted equity from previous years. Together with net profit for the year, this comprises total unrestricted equity, i.e., the amount that is available for distribution to shareholders.

Proposed appropriation of profits
Information on the Board's proposed appropriation of profits can be found in the administration report in this Annual Report, and below.

Proposed appropriation of profits
The Board of Directors proposes that:

	SEK
Retained earnings	301,375,890,74
Net profit	497,179,363,18
Share premium reserve	2,435,166,768,10
Be appropriated as follows:	
Dividend of SEK 1.00 per ordinary share, totalling	80,406,571,00
Dividend of SEK 40.00 per preference share, totalling1)	64,150,960,00
Carried forward	3,089,164,491,02

1) The previous Annual General Meeting resolved on dividends on preference shares of SEK 40 per share, corresponding to a total of SEK 64,150,960, to be paid quarterly, of which the record date for the last payment is May 5, 2019. This outstanding dividend has been considered within the framework of the annual report for the financial year 2018 and has thus already been reduced from the amount available to the AGM.

NOTE 12 Pledged assets and contingent liabilities

Pledged assets	2018	2017
Shares in subsidiaries	–	–

Contingent liabilities	2018	2017
Rental guarantee	15	18
Guarantees for subsidiaries[1)]	75	–
	90	**18**

1) Volati AB has provided a parent company guarantee for subsidiaries' commitments to Nordea Bank. See Group note 23 for information on the Group's external commitments.

NOTE 13 Accrued expenses

Accumulated cost	2018	2017
Accrued personnel expenses	1	9
Accrued social security contributions on accrued personnel expenses	1	3
Accrued interest on bond	5	1
Accrued liability for preference share dividend	32	32
Other accruals	2	2
	41	**47**

NOTE 14 Related parties

The Parent Company has a related party relationship with its Group companies and owners. See Group note 27. During the year, Group contributions and dividends were received from subsidiaries. Furthermore, the Parent Company has invoiced its subsidiaries for services rendered during the year to an amount of SEK 14 (11) million. Personnel expenses for owners are shown in Group note 6.

The Board and CEO hereby confirm that the consolidated annual financial statements have been prepared in accordance with international financial reporting standards (IFRS), as adopted by the EU, and provide a true and fair view of the Group’s financial performance and position. The Parent Company’s annual financial statements have been prepared in accordance with generally accepted accounting principles in Sweden and provide a true and fair view of the Company’s financial performance and position. The Board of Directors' Report for the Group and the Parent Company provides a fair overview of the development of the Group and the Parent Company's operations, financial position and performance and describes material risks and uncertainties faced by the Parent Company and Group companies.

Stockholm, 20 March 2019

Patrik Wahlén
Chairman of the Board

Karl Perlhagen
Board Member

Björn Garat
Board Member

Louise Nicolin
Board Member

Christina Tillman
Board Member

Anna-Karin Celsing
Board Member

Magnus Sundström
Board Member

Mårten Andersson
CEO

Our audit report was submitted on 20 March 2019

Ernst & Young AB

Rickard Andersson
Chief Auditor

Auditor's report

To the general meeting of the shareholders of Volati AB, corporate identity number 556555-4317

Report on the annual accounts and consolidated accounts

Opinions

We have audited the annual accounts and consolidated accounts of Volati AB for the year 2018 except for the corporate governance statement on pages 62–79 and the statutory sustainability report on pages 52-58 and consolidated accounts of the company are included on pages 48–146 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. Our opinions do not cover the corporate governance statement on pages 62–79 and the statutory sustainability report on pages 52–58. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's board of directors in accordance with the Audit Regulation (537/2014) Article 11.

Basis for Opinions

We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Other disclosures

The audit of the annual report for the year 2017 has been performed by a different auditor who has issued an auditor's report dated 21 March 2018 with unqualified opinion in the "Report on the annual accounts".

Key Audit Matters

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment test of goodwill and trademarks

Description

As Per 31 December 2018, the company's goodwill amounts to SEK 2 671 million and intangible assets with an indefinite useful life amount to SEK 439 million. Notes 1 and 11 describe the impairment test to be carried out annually or when there are indications of impairment. Goodwill and intangible assets with indefinite useful lives acquired through acquisitions are allocated to the company's cash generating units (CGU). When the book value exceeds the estimated recoverable amount, the asset is written down to the recoverable amount. The recoverable amount is the highest of a CGUs net realizable value and value in use, meaning the discounted present value of future cash flows. The cash flow forecasts are based on group management's forecasts that originate in the business units next year's budgets and forecasts for another four to five years. As disclosed in note 11, these forecasts include assumptions concerning, inter alia, net sales growth, profit margin, working capital and discount rates.

Note 11 describes significant assumptions used in the calculation of value and includes a sensitivity analysis for changes in key assumptions. Due to the assumptions required to calculate the recoverable amount, we have assessed that the valuation of goodwill and intangible assets with an indefinite useful life is a key audit matter in our audit.

How our audit addressed this key audit matter

Our review has included, among other things, the following audit procedures:

- Evaluation of the company's process to prepare and carry out impairment tests.
- Review of the company's identification of cash-generating units (CGUs) and how the operations are monitored internally.
- Review of each CGUs discount rate and long-term growth, and where possible by comparison with other companies active in the same industry.
- Evaluation, using valuation experts, of used valuation methods and impairment models, assessed the reasonableness of assumptions, sensitivity analysis, comparison of historical outcomes and reliability of previous forecasts.
- We also assessed whether the information disclosed is appropriate.

Business combinations

Description

The Company acquires companies on a continuous basis. As described in note 1, the Company's acquisition value is determined through a purchase price allocation in connection with the acquisition. Contingent consideration is included in the acquisition cost and is reported at fair value at the time of acquisition. Subsequent effects of revaluations of contingent consideration are recognized in the income statement. Acquired identifiable assets and liabilities assumed are initially recognized at fair value at the time of acquisition and the difference between the acquisition value and the fair value of identifiable assets and liabilities assumed is recognized as Goodwill.

As described in note 25, management is required to make assessments and assumptions in order to estimate the fair value of acquired assets and liabilities, especially when identifying and valuing intangible assets and accounting for contingent consideration. In some cases, the contingent consideration is determined on the basis of the financial performance of the acquired business over a predetermined period. The fair value measurement attributable to business combinations, including contingent considerations involves, to a large extent management’s judgment based on the company's own assumptions and therefore constitutes a key audit matter in our audit.

Established fair values for the Company's acquisitions are reported in Note 4. As Per 31 December 2018, contingent considerations amount to SEK 29 million and are presented in note 21. Important assumptions used in the determination of fair value are described in note 25.

How our audit addressed this key audit matter

Our review has included, among other things, the following audit procedures;

- Review of significant acquisition agreements including any contingent deferred considerations.
- Evaluation of management's process for preparing purchase price allocations.
- Evaluation of management's assessments and valuation of identified assets and liabilities assumed, including contingent considerations.
- Reconciliation of purchase price allocation to accounting records.
- Evaluating, using valuation experts, used valuation methods and management assessments and assumptions.
- We also assessed whether the information disclosed is appropriate.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1–46. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

Auditor's responsibility

Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express

an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor’s report unless law or regulation precludes disclosure about the matter.

Report on other legal and regulatory requirements

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of Volati AB for the year 2018 and the proposed appropriations of the company’s profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated (loss be dealt with) in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor’s Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors is responsible for the proposal for appropriations of the company’s profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group’s type of operations, size and risks place on the size of the parent company's and the group’s equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company’s organization and the administration of the company’s affairs. This includes among other things continuous assessment of the company’s and the group’s financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company’s financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors’ guidelines and instructions and among other matters take measures that are necessary to fulfill the company’s accounting in accordance with law and handle the management of assets in a reassuring manner.

Auditor’s responsibility

Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

- Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined the Board of Directors' reasoned statement and a selection of supporting evidence in order to be able to assess whether the proposal is in accordance with the Companies Act.

The auditor's examination of the corporate governance statement

The Board of Directors is responsible for that the corporate governance statement on pages 62–79 has been prepared in accordance with the Annual Accounts Act.

Our examination of the corporate governance statement is conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 of the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the other parts of the annual accounts and consolidated accounts and are in accordance with the Annual Accounts Act.

The auditor´s opinion regarding the statutory sustainability report

The Board of Directors is responsible for the statutory sustainability report on pages 52–58, and that it is prepared in accordance with the Annual Accounts Act.

Our examination has been conducted in accordance with FAR's auditing standard RevR 12 The auditor's opinion regarding the statutory sustainability report. This means that our examination of the statutory sustainability report is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinion.

A statutory sustainability report has been prepared.

Ernst & Young AB with Rickard Andersson as the auditor in charge, Box 7850, 103 99 Stockholm was appointed auditor of Volati AB by the general meeting of the shareholders on the 16 May 2018 and has been the company's auditor since the 16 May 2018.

Stockholm, 20 March 2019

Ernst & Young AB

Rickard Andersson
Authorized Public Accountant

Production: Volati in cooperation
with Hallvarsson & Halvarsson.

Photo: Juliana Fälldin, Hand in Hand, Martin Kelam, Richard Lindor,
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